MADIBENG LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

General Information

Legal form of entity	Local Municipality
Nature of business and principal activities	Providing municipal services
The following is included in the scope of operation	
Speaker	Cllr. FM Mangoathe
Executive Mayor	Cllr. JM Mothibe
Single Whip	Cllr. S Klass
Mayoral committee	Cllr. PA Phetlhe Cllr. NM Maswanganyi Cllr. SDN Nthangeni Cllr. MP Tlhopane Cllr. ETM Modise Cllr DS Maimane Cllr. NR Rakolle Cllr. KS Ntshabele Cllr. MG Nqetho Cllr. MM Machete

General Information

Councillors	Cllr. MZ Banda Cllr. EJ Barlow Cllr. GD Betha Cllr. TS Bogale Cllr. RNJ Breytenbach Cllr. S Davids Cllr. BP Gous Cllr. RB Ellis (Withdrawn - 03 June 2016) Cllr. RD Lekoane Cllr. EDF Lourens Cllr. P Maakane Cllr. V Mahlangu (appointed 27 November 2016) Cllr. BD Mahlaole Cllr. PB Makgabo Cllr. ML Makgale Cllr. PB Makhongela Cllr. SS Malete Cllr. P Maliwa Cllr. PD Mamogwe Cllr. RL Maluleka Cllr. P Mantu Cllr. NM Maringa Cllr. JS Masina Cllr. K Matli Cllr. SA Matome Cllr. SM Maunatlala Cllr. LE Meso Cllr. DP Mhlanga Cllr. JT Moabi Cllr. ME Moatshe Cllr. TM Modiha Cllr. RK Mogotsi Cllr. WS Molefe Cllr. SB Molelu Cllr. MS Moloi Cllr. S Monnakgotla Cllr. BG Montsho Cllr. NJ Montsho Cllr. NJ Moolotsane (Appointed - 18 May 2016) Cllr. PN More Cllr. FJ Motepe Cllr. MW Motlhasedi Cllr. G Motlhokapudi Cllr. S Mpongwana Cllr. S Nngubegusha (Withdrawn - 27 November 2016) Cllr. LL Nkhoma Cllr. I Nkosi Cllr. II Padi Cllr. AG Peplar Cllr. HT Phalwane Cllr. J Pieterse Cllr. IS Raseroke Cllr. GJ Rossouw Cllr. J Sefudi Cllr. CD Sekhoto (Withdramn - 05 August 2015) Cllr. M Serero Cllr. WI Strauss Cllr. AM Tshidi Cllr. TPJ Tsotetsi Cllr. EE Tanke Cllr. EM Thabane
Grading of local authority	4 (medium capacity)

General Information

Acting Accounting Officer	ME Manaka
Acting Chief Financial Officer (CFO)	SF Rikhotso
Registered office	53 Van Velden Street Brits 0250
Business address	53 Van Velden Street Brits 0250
Postal address	PO Box 106 Brits 0250
Bankers	ABSA Bank Limited First National Bank
Auditors	Auditor General

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The reports and statements set out below comprise the annual financial statements presented to the municipal council:

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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the section 126(1) of th Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality’s business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality’s cash flow forecast for the year to 30 June 2017 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The accounting officer is primarily responsible for the financial affairs of the municipality.

The external auditors are responsible for the audit and reporting on the municipality's annual financial statements. The annual financial statements will be examined by the municipality's external auditors.

The annual financial statements set out on page 8 to 66, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2016.

Acting Accounting Officer

Audit Committee Report

In terms of the section 166 of Municipal Finance Management Act (Act no.56 of 2003) an Audit Committee is established to serve as an independent governance structure whose function is to provide an oversight role on the system of internal control, financial reporting processes, risk management, governance and the organisation's process for monitoring compliance with laws and regulations and the code of conducts. Furthermore, the Audit Committee assists the Accounting Officer in the effective execution of his responsibilities with the ultimate aim of the achievement of the organisation's objectives and goals. The Audit Committee has adopted its written terms of reference approved by the Council.

We are pleased to present our report for the financial year ended 30 June 2016.

Audit committee members and attendance

The audit committee consists of four (4) members who have been appointed by the council in November 2011. During the financial year, four (4) ordinary meetings and four (4) special meetings were held to deal with urgent matters:

Name of member	Number of meetings attended
HB Mathibela (Acting Chairperson)	8
MA Mmapheto (resigned 28/02/2016)	6
Z Fihlani	0
FJ van der Westhuizen	7
P Mangoma (appointment 01/03/2016)	2

Effectiveness of internal control

Internal control is a process for assuring the achievements of an organisation's objectives in operational effectiveness and efficiency, reliable financial reporting and compliance with laws and regulations.

The system of internal control was partially effective during the year under review as compliance with prescribed policies and procedures were lacking in certain instances. During the year under review, several instances of non-compliance were reported by both internal and external auditors that resulted from a breakdown in functioning of internal controls.

We have urged management to develop an action plan to address the issues raised by the auditors to ensure an improved control environment. The Internal Audit reports are discussed at the Strategic Management Meetings to ensure that the shortcomings highlighted in the reports are given the attention it deserves. The Auditor General Action Plan is a Standing item in the Audit Committee meetings however the progress in addressing the shortcomings was a concern to the Audit Committee. The Council should ensure that it puts management responsible to ensure that the shortcomings are urgently addressed by responsible departments.

Effectiveness of internal Audit

During the end of the year, the position of the Chief Audit Executive including other three (3) vacant posts were filled. The Audit Committee is satisfied with the staff complement in Internal Audit unit which consists of 6 members: Chief Audit Executive, Manager, Senior Internal Auditor, (3) Internal Auditors. The positions of two (2) Senior Auditors are vacant.

The Audit Committee is of the opinion that Internal Audit unit is operating effectively to meet its mandate and has considered the risk pertinent to the municipality in their audit plans.

The slow progress by management in responding to Internal Audit Reports is a concern which might adversely affect the effectiveness of the Internal Audit division. The Accounting Officer should hold management responsible for responding to Internal Audit Reports in accordance with Internal Audit Charter as approved by the Audit Committee.

Audit Committee Report

Effectiveness of risk management

The Accounting Officer is responsible for the establishment of an effective system of Risk Management within the municipality that is aligned to the principles of good corporate governance as supported by the MFMA Act No 56 of 2003 and King III. The Audit Committee is partially satisfied with the effectiveness of the Risk Management processes and through which Risk Management Committee is functioning in the municipality in that not all risks were mitigated by management. There was no consistency in reporting and monitoring of risks mitigating strategies to Senior Management and Council.

The Internal Audit in the interim has been requested to assist the Accounting Officer with risk management initiatives until the Risk Management unit is established and fully capacitated. The Risk Committee has been resuscitated and all directors have been appointed as Risk Committee Members effective from March 2016.

The following policies have been recommended to Council with regard to Risk Management:

- Risk Management Policy
- Risk Management Committee Charter
- Draft Anti-Fraud and Corruption Prevention Plan

The Audit Committee recommended that risk management should be taken as part of the municipality daily business and that an independent external Chairperson of Risk Management be appointed.

Effectiveness of performanance management system

The municipality has a performance management system and policy approved by Council and performance management has been partially undertaken by the administration.

The municipality still continues to struggle with the Performance Management in that Internal and External Audit reports indicate KPI's and targets that are either not achieved or not aligned to Framework for measuring Programme Performance Information issued by the National Treasury.

There should be a continuous engagement between the municipality and Auditor General regarding performance management. This engagement should be proceeded by ongoing training to capacitate the PMS and management.

Audit Committee Report

Quality of monthly/quarterly financial reporting

The Audit Committee was privy to the monthly financial reports submitted by the Budget and Treasury Office during the period under review. To this end, the Audit Committee is of the opinion that the quality of the reports was acceptable and in line with the requirements of the applicable legislation.

In as far as the financial reports are concerned, the contentious issue of overtime and acting positions is still a problem for the municipality, which requires urgent attention from management and Council.

Annual financial statements

The Audit Committee has:

• Reviewed and discussed with the Auditor-General and the Accounting Officer;

• The audited Annual Financial Statements to be included in the Annual Report;

• Reviewed the Auditor-General’s management letter and management’s response thereto; and

• Reviewed significant adjustments resulting from the audit.

The Audit Committee concurs and accepts the conclusions of the Auditor-General on the Annual Financial Statements and is of the opinion that the audited Annual Financial Statements be accepted and read together with the report of the Auditor-General.

Overall Observation and Conclusion

The Municipality has not implemented all the resolutions of the Audit Committee in that certain documents have not been submitted to the Audit Committee as requested.

Secondly, The Internal and External Audit findings and recommendations are not addressed optimally to ensure that there is improved control environment and enhance the ability of obtaining clean audit. Management did not address the 2014/15 action plan satisfactorily to avoid recurrence of audit findings.

Thirdly, the municipality is under financial distress due to poor revenue collections and surging expenditure on operational budget and debtors’ books due to tough economic climate. This challenge threatens the ability of the municipality to continue as a going concern in the foreseeable future given the fact that the position of the Chief Financial Officer is also vacant.

The PIC Loan is also of concern to the Audit Committee in that the municipality is unable to service the principal debt and interest which weakens the balance sheet and going concern due to possible litigation.

Appreciation

The Audit Committee expresses its sincere appreciation to the Offices of the Executive Mayor, the Speaker, the Chief Whip, Municipal Manager, Management and all officials for their unwavering support and interest in the activities of the Committee during the year under review. The advice and support of other stakeholders such as the Internal Audit function, Auditor General South Africa, Provincial Treasury and the Provincial Department: Local Government and Human Settlement is also acknowledged in pursuing the interest of effective Corporate Governance and clean audit outcomes within the municipality.

We extend our gratitude to the Internal Audit unit for their efforts during the year despite resources constraints and other frustrations they might have encountered. The Audit Committee remains confident of the matters raised in this report receiving due consideration and intervention by the new Council. We are committed to fully execute our oversight function and in strengthening Corporate Governance.

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Chairperson of the Audit Committee

Date: ______________________

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2016.

1. Review of activities

Main business and operations

The municipality is engaged in providing municipal services.

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

2. Going concern

We draw attention to the fact that at 30 June 2016, the municipality had a deficits of R 565 432 911 and that the municipality's total currect liabilities exceed its current assets by R 175 854 434.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

4. Accounting Officer's interest in contracts

The accounting officer has no interests in contracts awarded.

5. Accounting policies

The annual financial statements prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

6. Corporate governance

The accounting officer is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the accounting officer supports the highest standards of corporate governance and the ongoing development of best practice.

The municipality confirms and acknowledges its responsibility to total compliance with the Code of Corporate Practices and Conduct ("the Code") laid out in the King III Report on Corporate Governance for South Africa. The accounting officer discuss the responsibilities of management in this respect, at Council meetings and monitor the municipality's compliance with the code on a three monthly basis.

7. Bankers

The municipality banks primarily with FNB and ABSA Bank Limited.

8. Auditors

Auditor General will continue in office for the next financial period.

Statement of Financial Position as at 30 June 2016

Figures in Rand	Note(s)	2016	2015
Assets			
Current Assets			
Inventories	8	14 884 222	10 222 258
Other financial assets	6	3 458 644	3 019 313
Receivables from non-exchange transactions	9	109 684 581	101 955 379
VAT receivable	10	-	29 887 181
Prepayments		4 172 166	-
Consumer receivables	11	237 917 216	179 511 214
Cash and cash equivalents	12	65 626 995	58 957 539
		435 743 824	**383 552 884**
Non-Current Assets			
Investment property	3	260 791 500	271 874 000
Property, plant and equipment	4	5 324 746 890	5 669 300 928
Heritage assets	5	10 100	10 100
Other financial assets	6	12 642 807	12 197 369
		5 598 191 297	**5 953 382 397**
Non-Current Assets		5 598 191 297	5 953 382 397
Current Assets		435 743 824	383 552 884
Non-current assets held for sale (and) (assets of disposal groups)		-	-
Total Assets		**6 033 935 121**	**6 336 935 281**
Liabilities			
Current Liabilities			
Finance lease obligation	14	2 955 720	1 925 824
Payables from exchange transactions	17	457 500 696	423 970 499
Payables from non-exchage transactions	18	40 435 743	26 820 655
VAT payable	10	2 260 951	-
Consumer deposits	19	13 221 978	12 942 101
Unspent conditional grants and receipts	15	361 054	3 384 039
Bank overdraft	12	94 862 046	-
		611 598 188	**469 043 118**
Non-Current Liabilities			
Other financial liabilities	13	873 282 857	772 450 315
Finance lease obligation	14	6 587 158	4 477 740
Employee benefit obligation	7	161 837 845	143 987 833
Provisions	16	16 240 535	17 154 826
		1 057 948 395	**938 070 714**
Non-Current Liabilities		1 057 948 395	938 070 714
Current Liabilities		611 598 188	469 043 118
Liabilities of disposal groups		-	-
Total Liabilities		**1 669 546 583**	**1 407 113 832**
Assets		6 033 935 121	6 336 935 281
Liabilities		(1 669 546 583)	(1 407 113 832)
Net Assets		**4 364 388 538**	**4 929 821 449**
Net Assets			
Accumulated surplus		4 364 388 538	4 929 821 449

Statement of Financial Performance

Figures in Rand	Note(s)	2016	2015
Revenue			
Revenue from exchange transactions			
Service charges	22	636 380 735	574 162 365
Rental of facilities and equipment		1 014 673	609 731
Interest received (trading)		60 938 970	64 767 525
Licences and permits		5 923 109	5 438 102
Commissions received		10 273 935	9 605 630
Other income	24	12 755 599	12 796 665
Interest received - investment	29	7 701 973	3 750 086
Total revenue from exchange transactions		**734 988 994**	**671 130 104**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	21	292 796 357	312 009 861
Transfer revenue			
Government grants & subsidies	23	739 259 985	627 239 698
Fines		2 723 218	1 561 445
Total revenue from non-exchange transactions		**1 034 779 560**	**940 811 004**
		734 988 994	671 130 104
		1 034 779 560	940 811 004
Total revenue	20	**1 769 768 554**	**1 611 941 108**
Expenditure			
Personnel	26	(358 843 835)	(324 765 724)
Remuneration of councillors	27	(23 745 851)	(22 405 619)
Depreciation and amortisation	31	(559 127 829)	(585 902 366)
Impairment loss	32	(19 330 166)	(132 121 327)
Finance costs	33	(115 679 796)	(101 123 702)
Debt impairment	28	(228 753 421)	(85 325 977)
Repairs and maintenance		(115 800 616)	(99 626 297)
Bulk purchases	36	(515 693 414)	(482 036 326)
Contracted services	35	(129 059 580)	(112 791 491)
Grants and subsidies paid		(22 609 654)	(13 322 718)
General expenses	25	(183 690 711)	(156 375 396)
Total expenditure		**(2 272 334 873)**	**(2 115 796 943)**
		-	-
Total revenue		1 769 768 554	1 611 941 108
Total expenditure		(2 272 334 873)	(2 115 796 943)
Operating deficit		**(502 566 319)**	**(503 855 835)**
Loss on assets written off	4	(55 125 171)	(11 399 504)
Actuarial gain/(loss) on post employment benefits	7	429 965	2 397 273
Fair value adjustments	30	(10 384 161)	(184 663 209)
Gain (loss) on provision for landfill closure	16	2 212 775	(1 746 666)
		(62 866 592)	**(195 412 106)**
Taxation		-	-
Deficit before taxation		(565 432 911)	(699 267 941)
Taxation		-	-
Deficit for the year		**(565 432 911)**	**(699 267 941)**

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	5 428 547 110	5 428 547 110
Adjustments		
Correction of errors	200 542 280	200 542 280
Balance at 01 July 2014 as restated*	**5 629 089 390**	**5 629 089 390**
Changes in net assets		
Deficit for the year	(699 267 941)	(699 267 941)
Total changes	(699 267 941)	(699 267 941)
Balance at 01 July 2015	**4 929 821 449**	**4 929 821 449**
Changes in net assets		
Deficit for the year	(565 432 911)	(565 432 911)
Total changes	(565 432 911)	(565 432 911)
Balance at 30 June 2016	**4 364 388 538**	**4 364 388 538**

Cash Flow Statement

Figures in Rand	Note(s)	2016	2015
Cash flows from operating activities			
Receipts			
Sale of goods and services		403 672 677	426 787 116
Grants		736 237 000	624 869 454
Interest income		7 701 973	3 750 086
Property rates and fines		287 790 103	263 330 709
Other receipts		12 892 625	13 097 838
		1 448 294 378	1 331 835 203
Payments			
Employee costs		(363 410 891)	(354 770 847)
Suppliers		(886 167 332)	(687 040 985)
Finance costs		(8)	(141 390)
		(1 249 578 231)	(1 041 953 222)
Total receipts		1 448 294 378	1 331 835 203
Total payments		(1 249 578 231)	(1 041 953 222)
Net cash flows from operating activities	37	**198 716 147**	**289 881 981**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(289 029 128)	(233 581 408)
Movement in investments		(186 431)	164 964
Net cash flows from investing activities		**(289 215 559)**	**(233 416 444)**
Cash flows from financing activities			
Finance lease payments		(3 628 619)	(58 053)
Finance lease receipts		5 935 441	6 403 564
Net cash flows from financing activities		**2 306 822**	**6 345 511**
Net increase/(decrease) in cash and cash equivalents		**(88 192 590)**	**62 811 048**
Cash and cash equivalents at the beginning of the year		58 957 539	(3 853 509)
Cash and cash equivalents at the end of the year	12	**(29 235 051)**	**58 957 539**

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	619 016 000	-	**619 016 000**	636 380 735	**17 364 735**	Appendix E1
Rental of facilities and equipment	628 000	-	**628 000**	1 014 673	**386 673**	Appendix E1
Interest received (trading)	56 483 000	-	**56 483 000**	60 938 970	**4 455 970**	Appendix E1
Licences and permits	7 335 000	-	**7 335 000**	5 923 109	**(1 411 891)**	Appendix E1
Commissions received	2 215 000	-	**2 215 000**	10 273 935	**8 058 935**	Appendix E1
Other income	16 352 000	-	**16 352 000**	12 755 599	**(3 596 401)**	Appendix E1
Interest received - investment	4 095 000	-	**4 095 000**	7 701 973	**3 606 973**	Appendix E1
Total revenue from exchange transactions	**706 124 000**	**-**	**706 124 000**	**734 988 994**	**28 864 994**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	337 183 000	-	**337 183 000**	292 796 357	**(44 386 643)**	Appendix E1
Government grants & subsidies	760 854 000	23 728 000	**784 582 000**	739 259 985	**(45 322 015)**	Appendix E1
Transfer revenue						
Fines	626 000	-	**626 000**	2 723 218	**2 097 218**	Appendix E1
Total revenue from non-exchange transactions	**1 098 663 000**	**23 728 000**	**1 122 391 000**	**1 034 779 560**	**(87 611 440)**	
'Total revenue from exchange transactions'	706 124 000	-	**706 124 000**	734 988 994	**28 864 994**	Appendix E1
'Total revenue from non-exchange transactions'	1 098 663 000	23 728 000	**1 122 391 000**	1 034 779 560	**(87 611 440)**	Appendix E1
Total revenue	**1 804 787 000**	**23 728 000**	**1 828 515 000**	**1 769 768 554**	**(58 746 446)**	
Expenditure						
Personnel	(340 738 995)	-	**(340 738 995)**	(358 843 835)	**(18 104 840)**	Appendix E1
Remuneration of councillors	(26 345 005)	-	**(26 345 005)**	(23 745 851)	**2 599 154**	Appendix E1
Depreciation and amortisation	(82 430 000)	-	**(82 430 000)**	(559 127 829)	**(476 697 829)**	Appendix E1
Impairment loss/ Reversal of impairments	-	-	**-**	(19 330 166)	**(19 330 166)**	
Finance costs	(10 000 000)	-	**(10 000 000)**	(115 679 796)	**(105 679 796)**	Appendix E1
Debt impairment	(208 167 000)	-	**(208 167 000)**	(228 753 421)	**(20 586 421)**	Appendix E1
Repairs and maintenance	(107 645 000)	7 811 920	**(99 833 080)**	(115 800 616)	**(15 967 536)**	Appendix E1
Bulk purchases	(511 126 000)	-	**(511 126 000)**	(515 693 414)	**(4 567 414)**	Appendix E1
Contracted Services	(73 763 000)	11 172 400	**(62 590 600)**	(129 059 580)	**(66 468 980)**	Appendix E1
Grants and subsidies paid	(33 459 000)	-	**(33 459 000)**	(22 609 654)	**10 849 346**	Appendix E1
General Expenses	(118 495 000)	(18 984 320)	**(137 479 320)**	(183 690 711)	**(46 211 391)**	Appendix E1
Total expenditure	**(1 512 169 000)**	**-**	**(1 512 169 000)**	**(2 272 334 873)**	**(760 165 873)**	
	1 804 787 000	23 728 000	**1 828 515 000**	1 769 768 554	**(58 746 446)**	
	(1 512 169 000)	-	**(1 512 169 000)**	(2 272 334 873)	**(760 165 873)**	
Operating (deficit)/surplus	**292 618 000**	**23 728 000**	**316 346 000**	**(502 566 319)**	**(818 912 319)**	
Loss on assets written off	-	-	**-**	(55 125 171)	**(55 125 171)**	Appendix E

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts	Difference between final budget and actual	Reference
Acturial gains/(loss) on post employment benefits	-	-	**-**	429 965	**429 965**	Appendix E1
Fair value adjustments	-	-	**-**	(10 384 161)	**(10 384 161)**	Appendix E1
Gain/(loss) on provision for landfillclosure	-	-	**-**	2 212 775	**2 212 775**	Appendix E
	-	**-**	**-**	**(62 866 592)**	**(62 866 592)**	
	292 618 000	23 728 000	**316 346 000**	(502 566 319)	**(818 912 319)**	
	-	-	**-**	(62 866 592)	**(62 866 592)**	
Surplus/(deficit)	**292 618 000**	**23 728 000**	**316 346 000**	**(565 432 911)**	**(881 778 911)**	
Surplus before taxation	292 618 000	23 728 000	**316 346 000**	(565 432 911)	**(881 778 911)**	
Taxation	-	-	**-**	-	**-**	
Surplus/(deficits) for the year	**292 618 000**	**23 728 000**	**316 346 000**	**(565 432 911)**	**(881 778 911)**	
Capital Expenditures	(292 461 000)	(26 678 000)	**(319 139 000)**	(274 795 272)	**44 343 728**	Appendix E2
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**157 000**	**(2 950 000)**	**(2 793 000)**	**(840 228 183)**	**(837 435 183)**	

Reconciliation

Basis difference						
Capital Expenditure				274 795 272		
Actual Amount in the Statement of Financial Performance				**(565 432 911)**		

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality. The annual financial statements have been rounded to the nearest Rand.

1.2 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements.

Trade receivables

The municipality assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Allowance for slow moving, damaged and obsolete stock

An allowance for inventory to write inventory down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in note 25.

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

The recoverable (service) amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.

Value in use of cash generating assets
The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors, together with economic factors such as inflation and interest.

Value in use of non-cash generating assets
The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, the remaining service potential of the asset is determined. The most appropriate approach selected to determine the remaining service potential is dependant on the availability of data and the nature of the impairment.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 16 - Provisions.

Useful lives of property, plant and equipment and intangible assets

The municipality's management determines the estimated useful lives and related depreciation charges for the property, plant and equipment and intangible assets. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. The most appropriate discount rate that reflects the time value of money is with reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, the municipality uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 7.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

1.2 Significant judgements and sources of estimation uncertainty (continued)

Allowance for debt impairment

On receivables, an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the receivables carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition. The recoverability percentage on receivables is calculated annual per receivables category.

1.3 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the municipality determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the municipality determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the municipality measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The municipality applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the municipality becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.4 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

Accounting Policies

1.4 Property, plant and equipment (continued)

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably or fair value.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for X,X and X which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

1.4 Property, plant and equipment (continued)

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Land	Indefinite
Buildings	30 - 80 years
Plant and machinery	5 - 17 years
Furniture and fixtures	5 - 17 years
Motor vehicles	5 -15 years
Office equipment	3 - 12 years
Computer equipment	3 - 12 years
Bins and containers	7 - 15 years
Infrastructure	
• Road surface layers	7 - 50 years
• Road structural layers	7 - 50 years
• Bridges	60 - 80 years
• Culverts	15 years
• Storm water	50 - 80 years
• Electricity	30 - 50 years
• Water assets	12 - 80 years
• UPVC pipes	40 - 80 years
• Sewer pipes	80 years
Community	
• Buildings	30 - 50 years
• Sports fields	7 - 15 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

1.4 Property, plant and equipment (continued)

Reviewing the useful life of an asset on an annual basis does not require the municipality to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.5 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as ‘decommissioning, restoration and similar liabilities’. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

The related asset is measured using the cost model:

- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

1.6 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management’s best estimate of the set of economic conditions that will exist over the useful life of the asset.

1.6 Intangible assets (continued)

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values.

Intangible assets are derecognised:
- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

Accounting Policies

1.7 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

An inalienable item is an asset that an municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Recoverable amount is the higher of a cash-generating asset's net selling price and its value in use.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Where the municipality holds a heritage asset, but on initial recognition its does the recognition criteria because it cannot be reliably measured, information on such a heritage assets is disclossed in note 5.

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

1.7 Heritage assets (continued)

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

Impairment

The municipality assesses at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

1.8 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').

1.8 Financial instruments (continued)

- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm’s length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity’s net assets, either before the contribution occurs or at the time of the contribution; or

1.8 Financial instruments (continued)

- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the municipality designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Receivable from exchange transactions	Financial asset measured at amortised cost
Receivable from non-exhange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Other financial assets	Financial asset measured at fair value

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Other financial liabilities	Financial liability measured at amortised cost
Finance lease obligation	Financial liability measured at amortised cost
Payable from exchange transactions	Financial liability measured at amortised cost
Bank overdraft	Financial liability measured at amortised cost

Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The municipality recognises financial assets using trade date accounting.

1.8 Financial instruments (continued)

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The municipality measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The municipality first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the municipality analyses a concessionary loan into its component parts and accounts for each component separately. The municipality accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Accounting Policies

1.8 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:
- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an entity calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Short term receivables and payables are not discounted where the initial credit period granted or received is consistent with the terms in the public sector, either through established practices or legislation.

Reclassification

The municipality does not reclassify a financial instrument while it is issued or held unless it is:
- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The municipality assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Accounting Policies

1.8 Financial instruments (continued)

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

1.8 Financial instruments (continued)

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:
- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the municipality despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

1.8 Financial instruments (continued)

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

1.9 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the municipality assesses the classification of each element separately.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in the statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.10 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

Accounting Policies

1.10 Inventories (continued)

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.11 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset’s future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm’s length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:
- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

1.11 Impairment of cash-generating assets (continued)

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Basis for estimates of future cash flows

In measuring value in use the municipality:
- bases cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- bases cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the municipality operates, or for the market in which the asset is used, unless a higher rate can be justified.

Composition of estimates of future cash flows

Estimates of future cash flows include:
- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:
- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

1.11 Impairment of cash-generating assets (continued)

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in uses of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the municipality does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Accounting Policies

1.11 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.12 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Accounting Policies

1.12 Impairment of non-cash-generating assets (continued)

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

(a) the period of time over which an asset is expected to be used by the municipality; or
(b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish non-cash-generating assets from cash-generating assets are as follow:
[Specify criteria]

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

1.12 Impairment of non-cash-generating assets (continued)

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occurs when there is clear evidence that such a redesignation is appropriate.

1.13 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), is recognised in the period in which the service is rendered and is not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Accounting Policies

1.13 Employee benefits (continued)

Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the municipality during a reporting period, the municipality recognises the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, the municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money.

1.13 Employee benefits (continued)

Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans..

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the municipality is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the municipality recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the municipality recognises past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The municipality measures the resulting asset at the lower of:

- the amount determined above; and

1.13 Employee benefits (continued)

- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The municipality determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses, which is recognised immediately;
- past service cost, which is recognised immediately;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The municipality uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, the municipality attributes benefit to periods of service under the plan’s benefit formula. However, if an employee’s service in later years will lead to a materially higher level of benefit than in earlier years, the municipality attributes benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The municipality recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the municipality re-measures the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

Accounting Policies

1.13 Employee benefits (continued)

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The municipality offsets an asset relating to one plan against a liability relating to another plan when the municipality has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money.

The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:
- festimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those
- terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit
- plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Other long term employee benefits

The municipality has an obligation to provide long service allowance benefits to all of its employees.

The municipality’s liability is based on an actuarial valuation. The Projected Unit Credit Method is used to value the liabilities.

Actuarial gains and losses on the long service awards are recognised in the statement of financial performance.

The amount recognised as a liability for long service awards is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The municipality recognises the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which is recognised immediately;
- past service cost, which is recognised immediately; and
- the effect of any curtailments or settlements.

1.14 Provisions and contingencies

Provisions are recognised when:
- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If the municipality has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when the municipality:
- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in municipality combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 39.

1.14 Provisions and contingencies (continued)

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified receivable fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the receivable;
- defaults or delinquencies in interest and capital repayments by the receivable;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the receivable to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of municipalities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.

If the related asset is measured using the revaluation model:

- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
  - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

Accounting Policies

1.15 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by the proportion that costs incurred to date bear to the total estimated costs of the transaction.

Interest, royalties and dividends

Revenue arising from the use by others of municipality assets yielding interest, royalties and dividends is recognised when:
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Dividends, or their equivalents are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

Accounting Policies

1.16 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Non-exchange transactions are defined as transactions where the municipality receives value from another entity without directly giving approximately equal value in exchange.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Rates, including collection charges and penalties interest

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

1.16 Revenue from non-exchange transactions (continued)

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources.

Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

Collection charges and penalty interest is recognised when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with the relevant legal requirements (if applicable).

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

The municipality makes use of estimates to determine the amount of revenue that it is entitled to collect. Where settlement discounts or reductions in the amount payable are offered, the municipality considers past history in assessing the likelihood of these discounts or reductions being taken up by debtors.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

1.17 Government grants

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all deficits of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Government grants are recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,;
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant..

1.18 Other grants and donations

Other grants and donations are recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,;
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant..

1.18 Other grants and donations (continued)

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

1.19 Borrowing costs

1.20 Grants in aid

The insurance fund is accounted for at net of cost, and any liability thereto, and adjustments are made only where there are valid claims to the fund.

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the statement of financial performance as expenses in the period that the events giving raise to the transfer occurred.

1.21 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year note 41.

1.22 Unauthorised expenditure

Unauthorised expenditure means any expenditure incurred by the municipality otherwise than in accordance with section 15 or 11(3) of the Municipal Finance Management Act (Act No. 56 of 2003), and includes:

- overspending of the total amount appropriated in the municipality’s approved budget;
- overspending of the total amount appropriated for a vote in the approved budget;
- expenditure from a vote unrelated to the department or functional area covered by the vote;
- expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of ‘‘allocation’’ otherwise than in accordance with any conditions of the allocation; or
- a grant by the municipality otherwise than in accordance with the Municipal Finance Management Act.

1.23 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.24 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is:

(a) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of this Act, and which has not been condoned in terms of section 170;

(b) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of that Act;

(c) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act No. 20 of 1998); or

1.24 Irregular expenditure (continued)

(d) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or entity or any of the municipality's by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law, but excludes expenditure by a municipality which falls within the definition of ''unauthorised expenditure''

Irregular expenditure that was incurred and identified during the current financial year and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

1.25 Use of estimates

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.26 Commitments

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must

Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.

Commitments are not recognised in the statement of financial position as a liability, but are included in the disclosure notes in the following cases:

- approved and contracted commitments;
- where the expenditure has been approved and the contract has been awarded at the reporting date; and
- where disclosure is required by a specific standard of GRAP.

Refer to note 38

1.27 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 01 July 2015 to 30 June 2016.

Accounting Policies

1.28 Related parties

Related parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and another entity are subject to common control.

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the local sphere of government are considered to be related parties.

Related party disclosures for transactions between government entities that took place on terms and conditions that are considered in arm's length and in the ordinary course of business are not disclosed in accordance with IPSAS 20 Related Party Disclosure. Only transactions with related parties not at arm’s length or not in the ordinary course of business are disclosed.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in ordinary course of business are diclosed.

1.29 Events after reporting date

Events after the reporting date that are classified as adjusting events have been accounted for in the financial statements.

Events after the reporting date that are classified as non-adjusting events have been disclosed in the notes to the financial statements.

1.30 Value-added tax

Revenue, expenses and assets are recognised net of the amounts of value added tax. Value added tax is accounted for using the payment basis.

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Notes to the Annual Financial Statements

2. Standards and interpretations

2.1 Standards and interpretations effective in the current year

GRAP 1	Presentation of Financial Statement
GRAP 2	Cash Flow Statement
GRAP 3	Change Accounting Policies, Change in Accountiong estimates and Error
GRAP 4	The Effects of changes in Foreign Exchange Rates
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statement
GRAP 7	Investment in Associates
GRAP 8	Investment in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial Reporting in hyper Inflationary Economies
GRAP 11	Construction Contacts
GRAP 12	Inventories
GRAP 13	Lease
GRAP 14	Events after the reporting date
GRAP 16	Investment Property
GRAP 17	Property, Plant and Equipment
GRAP 18	Segment Reporting
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 21	Impairment of non-cash generating assets
GRAP 23	Revenue from non exchange transaction
GRAP 24	Budget information
GRAP 25	Emplyee Benfits
GRAP 26	Impairment of cash generating assets
GRAP 100	Non-current Assets held for sale and discontiued operations
GRAP 101	Agriculture
GRAP 102	Intangible Assets
GRAP 103	Heritage Assets
GRAP 104	Financial Intruments

2.2 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality’s accounting periods beginning on or after 01 July 2016 or later periods but are not relevant to its operations:

GRAP 18: Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality’s overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance.
The municipality expects to adopt the standard for the first time once it becomes effective.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

GRAP 105: Transfers of functions between entities under common control

Notes to the Annual Financial Statements

2. Standards and interpretations (continued)

The objective of this standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control.

A transfer of functions between entities under common control is a reorganisation and / or reallocation of functions between entities that are ultimately controlled by the same entity before and after a transfer of functions.

In the event of a transfer of functions between entities under common control, the assets and liabilities should be recognised (by the acquirer) at their carrying amounts and should be derecognised (by the transferor) at their carrying amounts.

The difference between the amount of consideration paid or received, if any, and the carrying amounts of assets and liabilities should be recognised in accumulated surplus / (deficit).

The effective date of the standard is for years beginning on or after 01 April 2015.

The municipality expects to adopt the standard for the first time in the 2017 annual financial statements, but has already formulated an accounting policy for this reporting period based on the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 106: Transfers of functions between entities not under common control

The objective of this standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities not under common control.

A transfer of functions between entities not under common control is a reorganisation and / or reallocation of functions between entities that are ultimately controlled by the same entity before and after a transfer of functions.

In the event of a transfer of functions between entities not under common control, the assets and liabilities should be recognised (by the acquirer) at their acquisition date fair values.

The difference between the amount of consideration paid , if any, and the carrying amounts of assets acquired and liabilities assumed should be recognised in accumulated surplus / (deficit).

For a transfer of functions between entities not under common control there are some specific recognition and measurement principles and exceptions to the recognition and measurement principles.

The effective date of the standard is for years beginning on or after 01 April 2015.

The municipality expects to adopt the standard for the first time in the 2017 annual financial statements, but has already formulated an accounting policy for this reporting period based on the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 107: Mergers

The objective of this standard is to establish accounting principles for the combined entity and combining entities in a merger.

A merger is where a new combined entity is started, acquirer can be identified and the combining entities do not have any control over the combined entity.

In the event of a merger, the assets and liabilities should be recognised (by the combined entity) at their carrying amounts and should be derecognised (by the combining entities) at their carrying amounts.

The difference between the carrying amounts of assets and liabilities should be recognised in accumulated surplus /(deficit).

The effective date of the standard is for years beginning on or after 01 April 2015.

Notes to the Annual Financial Statements

2. Standards and interpretations (continued)

The municipality expects to adopt the standard for the first time in the 2016 annual financial statements, but has already formulated an accounting policy for this reporting period based on the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 20: Related parties

The objective of this is to ensure that a reporting entity's annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An municipality (in this standard referred to as the reporting entity) shall apply thisstandard in:
- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in bullet one and two is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual annual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:
- A person or a close member of that person's family is related to the reporting entity if that person:
  - has control or joint control over the reporting entity;
  - has significant influence over the reporting entity;
  - is a member of the management of the entity or its controlling entity.
- An entity is related to the reporting entity if any of the following conditions apply:
  - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
  - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
  - both entities are joint ventures of the same third party;
  - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
  - the entity is controlled or jointly controlled by a person identified in (a); and
  - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:
- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:
- Control;
- Related party transactions; and

Notes to the Annual Financial Statements

2. Standards and interpretations (continued)

- Remuneration of management

Only transactions with related parties where the transactions are not concluded within normal operating procedures or on terms that are not no more or no less favourable than the terms it would use to conclude transactions with another entity or person are disclosed.

The standard requires that remuneration of management must be disclosed per person and in aggregate.

The standard has been approved by the Accounting Standards Board, but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

IGRAP 11: Consolidation – Special purpose entities

An entity may be created to accomplish a narrow and well-defined objective (e.g. to effect a lease, research and development activities or a securitisation of financial assets). Such a special purpose entity (‘SPE’) may take the form of a corporation, trust, partnership or unincorporated entity. SPEs often are created with legal arrangements that impose strict and sometimes permanent limits on the decision-making powers of their management over the operations of the SPE.

Frequently, these provisions specify that the policy guiding the ongoing activities of the SPE cannot be modified, other than perhaps by its creator or sponsor (ie they operate on so-called ‘autopilot’). The sponsor (or entity on whose behalf the SPE was created) frequently transfers assets to the SPE, obtains the right to use assets held by the SPE or performs services for the SPE, while other parties (‘capital providers’) may provide the funding to the SPE. An entity that engages in transactions with an SPE (frequently the creator or sponsor) may in substance control the SPE. A beneficial interest in an SPE may, for example, take the form of a debt instrument, an equity instrument, a participation right, a residual interest or a lease. Some beneficial interests may simply provide the holder with a fixed or stated rate of return, while others give the holder rights or access to other future economic benefits or service potential of the SPE’s activities. In most cases, the creator or sponsor (or the entity on whose behalf the SPE was created) retains a significant beneficial interest in the SPE’s activities, even though it may own little or none of the SPE’s net assets.

The Standard of GRAP on Consolidated and Separate Financial Statements requires the consolidation of entities that are controlled by the reporting entity. However, the Standard of GRAP does not provide explicit guidance on the consolidation of SPEs. The issue is under what circumstances an entity should consolidate an SPE. This interpretation of the Standards of GRAP does not apply to post-employment benefit plans or other long-term employee benefit plans to which the Standard of GRAP on Employee Benefits applies.

A transfer of assets from an entity to an SPE may qualify as a sale by that entity. Even if the transfer does qualify as a sale, the provisions of the Standard of GRAP on Consolidated and Separate Financial Statements and this Interpretation of the Standards of GRAP may mean that the entity should consolidate the SPE. This interpretation of the Standards of GRAP does not address the circumstances in which sale treatment should apply for the entity or the elimination of the consequences of such a sale upon consolidation.

The effective date of this interpretation is dependent on/in conjunction with the effective date of GRAP105, 106 and 107.

The municipality expects to adopt the interpretation for the first time in the 2016 annual financial statements.

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures

Paragraph .54 in the Standard of GRAP on Interests in Joint Ventures refers to both contributions and sales between a venturer and a joint venture as follows: ‘When a venturer contributes or sells assets to a joint venture, recognition of any portion of a gain or loss from the transaction shall reflect the substance of the transaction’. In addition, paragraph 31 in the Standard of GRAP on Interests in Joint Ventures says that ‘a jointly controlled entity is a joint venture that involves the establishment of a corporation, partnership or other entity in which each venturer has an interest’. There is no explicit guidance on the recognition of gains and losses resulting from contributions of non-monetary assets to jointly controlled entities (‘JCEs’).

Notes to the Annual Financial Statements

2. Standards and interpretations (continued)

Contributions to a JCE are transfers of assets by venturers in exchange for an interest in the net asset in the JCE. Such contributions may take various forms. Contributions may be made simultaneously by the venturers either upon establishing the JCE or subsequently. The consideration received by the venturer(s) in exchange for assets contributed to the JCE may also include cash or other consideration that does not depend on future cash flows of the JCE (‘additional consideration’).

The issues are:

- when the appropriate portion of gains or losses resulting from a contribution of a non-monetary asset to a JCE in exchange for an interest in the net assets in the JCE should be recognised by the venturer in surplus or deficit;
- how additional consideration should be accounted for by the venturer; and
- how any unrealised gain or loss should be presented in the consolidated

This interpretation of the Standards of GRAP deals with the venturer’s accounting for non-monetary contributions to a JCE in exchange for an interest in the net assets in the JCE that is accounted for using either the equity method or proportionate consolidation.

The effective date of this interpretation is dependent on/in conjunction with the effective date of GRAP105, 106 and 107.

The municipality expects to adopt the interpretation for the first time in the 2016 annual financial statements.

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements

The definition of ‘minority interest’ has been amended to ‘non-controlling interest’, and paragraph .60 was added by the Improvements to the Standards of GRAP issued in November 2010. An entity shall apply these amendments prospectively for annual financial periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107]. If an entity elects to apply these amendments earlier, it shall disclose this fact.

Paragraph .59 was amended by Improvements to the Standards of GRAP issued in November 2010. An entity shall apply these amendments prospectively for annual financial periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107] from the date at which it first applied the Standard of GRAP on Non-current Assets Held for Sale and Discontinued Operations. If an entity elects to apply these amendments earlier, it shall disclose this fact.

The Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers amended paragraphs .03, .39, .47 to .50 and added paragraphs .51 to .58 and .61 to .62. An entity shall apply these amendments when it applies the Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers.

The effective date of this interpretation is dependent on/in conjunction with the effective date of GRAP105, 106 and 107.

The municipality expects to adopt the interpretation for the first time in the 2016 annual financial statements.

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

GRAP 7 (as revised 2010): Investments in Associates

Paragraphs .03 and .42 were amended by the Improvements to the Standards of GRAP issued in November 2010. An entity shall apply these amendments prospectively for annual financial periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107]. If an entity elects to apply these amendments earlier, it shall disclose this fact.

The Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers amended paragraphs .22, .28 and .38 and added paragraph .24. An entity shall apply these amendments and addition when it applies the Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers.

Notes to the Annual Financial Statements

2. Standards and interpretations (continued)

The effective date of this interpretation is dependent on/in conjunction with the effective date of GRAP105, 106 and 107.

The municipality expects to adopt the interpretation for the first time in the 2016 annual financial statements.

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

GRAP 8 (as revised 2010): Interests in Joint Ventures

Paragraph .04 was amended by the Improvements to the Standards of GRAP issued in November 2010. An entity shall apply these amendments prospectively for annual financial periods beginning on or after the effective date.

The Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers added paragraph .50 and amended paragraphs .51 and .52. An entity shall apply these amendments and addition when it applies the Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers.

The effective date of this interpretation is dependent on/in conjunction with the effective date of GRAP105, 106 and 107.

The municipality expects to adopt the interpretation for the first time in the 2016 annual financial statements.

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

GRAP32: Service Concession Arrangements: Grantor

The standard applies to a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator providing the mandated function on behalf of the grantor can either be a private party or another public sector entity. The standard applies to the grantor only. PPP agreements that are governed and regulated in terms of the PFMA and MFMA, are some of the arrangements that fall within the scope of GRAP 32.

For any other arrangements that meet the control criteria as set out in paragraph .07 of GRAP 32 the principles in the standard on accounting for such arrangements will apply.

An asset provided by the operator, or an upgrade to an existing asset, is recognised as a service concession asset with a corresponding liability, being the performance obligation, if certain criteria and conditions are met.

The standard has been approved by the Accounting Standards Board, but its effective date has not yet been determined by the Minister of Finance.

The standard has been approved by the Accounting Standards Board, but its effective date has not yet been determined by the Minister of Finance.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP108: Statutory Receivables

GRAP 108 only deals with those receivables that arise from legislation or an equivalent means, such as regulations, bylaws or other documents issued in terms of legislation, such as ministerial orders and cabinet or municipal council decisions.

Therefore in order to be statutory in nature specific legislation should require the municipality to undertake the transactions, such as outlining who should be taxed and at what rates and amounts.

Statutory receivables are not contractual receivables, the latter of which would normally meet the definition of a financial asset and will be within the scope of the Standard of GRAP on Financial Instruments. Statutory receivables are not voluntarily entered into as with contractual receivables because they arise as a result of specific legislative requirements.

Statutory receivables are initially measured at their transaction amount and subsequently using the cost method.

cUnder the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

Notes to the Annual Financial Statements

2. Standards and interpretations (continued)

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

The standard has been approved by the Accounting Standards Board, the effective date is set for 1 April 2015 but municipalities are not yet required to apply or early adopt.

The municipality expects to adopt the standard for the first time once it becomes effective, but has already formulated an accounting policy for this reporting period based on the standard.

The expected impact of the standard is to be investigated.

IGRAP17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset

This Interpretation of the Standards of GRAP provides guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease.

A service concession arrangement is a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time.

The operator is compensated for its services over the period of the service concession arrangement, either through payments, or through receiving a right to earn revenue from third party users of the service concession asset, or the operator is given access to another revenue-generating asset of the grantor for its use.

Before the grantor can recognise a service concession asset in accordance with the Standard of GRAP on Service Concession Arrangements: Grantor, both the criteria as noted in paragraph .01 of this Interpretation of the Standards of GRAP need to be met. In some service concession arrangements, the grantor only controls the residual interest in the service concession asset at the end of the arrangement, and can therefore not recognise the service concession asset in terms of the Standard of GRAP on Service Concession Arrangements: Grantor.

This interpretation concludes on the recognition of the performance obligation and the right to receive a significant interest in a service concession asset.

The interpretation has been approved by the Accounting Standards Board, but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the interpretation for the first time once it becomes effective, but has already formulated an accounting policy for this reporting period based on the interpretation.

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

3. Investment property

	2016			2015		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Investment property	260 791 500	-	260 791 500	271 874 000	-	271 874 000

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

3. Investment property (continued)

Reconciliation of investment property - 2016

	Opening balance	Fair value adjustments	Total
Investment property	271 874 000	(11 082 500)	260 791 500

Reconciliation of investment property - 2015

	Opening balance	Fair value adjustments	Total
Investment property	457 151 266	(185 277 266)	271 874 000

Pledged as security

No assets were pledged as security.

Fair Value of investment property

The investment property as fair valued by an independent valuator. The fair value of investment property was assessed at the end of the financial year and the significant changes in the fair value of the properties was adjusted.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

In the exceptional cases when the municipality have to measure investment property using the cost model in the Standard of GRAP on Property, Plant and Equipment when the municipality subsequently uses the fair value measurement, disclose the following:

Income and Expenditure

	2016	2015
Rental income	1 014 673	609 731

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment

	2016			2015		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land	814 057 726	-	814 057 726	814 057 726	-	814 057 726
Buildings	98 442 324	(18 632 633)	79 809 691	98 442 324	(15 401 389)	83 040 935
Infrastructure	7 175 721 432	(3 574 300 497)	3 601 420 935	7 140 126 565	(3 022 140 049)	4 117 986 516
Community	127 998 574	(12 796 381)	115 202 193	99 435 641	(9 665 757)	89 769 884
Work in progress	670 020 491	-	670 020 491	528 830 020	-	528 830 020
Other property, plant and equipment	74 922 264	(30 686 410)	44 235 854	60 688 408	(25 072 561)	35 615 847
Total	**8 961 162 811**	**(3 636 415 921)**	**5 324 746 890**	**8 741 580 684**	**(3 072 279 756)**	**5 669 300 928**

Reconciliation of property, plant and equipment - 2016

	Opening balance	**Additions**	**Disposals**	**Transfers**	**Depreciation**	**Impairment loss**	**Total**
Land	814 057 726	-	-	-	-	-	814 057 726
Buildings	83 040 935	-	-	-	(3 231 244)	-	79 809 691
Infrastructure	4 117 986 516	-	(55 125 171)	105 041 867	(547 152 112)	(19 330 165)	3 601 420 935
Community	89 769 884	-	-	28 562 934	(3 130 625)	-	115 202 193
Work in progress	528 830 020	274 795 272	-	(133 604 801)	-	-	670 020 491
Other property, plant and equipment	35 615 847	14 233 856	-	-	(5 613 849)	-	44 235 854
	5 669 300 928	**289 029 128**	**(55 125 171)**	**-**	**(559 127 830)**	**(19 330 165)**	**5 324 746 890**

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Transfers	Assets taken-on	Assets written off	Depreciation	Impairment loss	Total
Land	814 057 726	-	-	-	-	-	-	814 057 726
Buildings	79 850 549	-	6 333 847	-	-	(3 143 461)	-	83 040 935
Infrastructure	4 776 583 400	-	64 331 804	-	(9 582 795)	(581 224 617)	(132 121 276)	4 117 986 516
Community	62 912 703	-	29 240 640	-	-	(2 383 459)	-	89 769 884
Work in progress	408 097 402	220 638 909	(99 906 291)	-	-	-	-	528 830 020
Other property, plant and equipment	23 640 885	12 942 499	-	4 506 832	(1 816 708)	(3 657 661)	-	35 615 847
	6 165 142 665	**233 581 408**	**-**	**4 506 832**	**(11 399 503)**	**(590 409 198)**	**(132 121 276)**	**5 669 300 928**

Pledged as security

No assets have been pledged as secuirty.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

5. Heritage assets

	2016			2015		
	Cost / Valuation	**Accumulated impairment losses**	**Carrying value**	**Cost / Valuation**	**Accumulated impairment losses**	**Carrying value**
Art Collections, antiquities and exhibits	10 100	-	10 100	10 100	-	10 100

Reconciliation of heritage assets 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

5. Heritage assets (continued)

	Opening balance	Total
Art Collections, antiquities and exhibits	10 100	10 100

Reconciliation of heritage assets 2015

	Opening balance	Total
Art Collections, antiquities and exhibits	10 100	10 100

Pledged as security

No heritage assets have been pledged as secuirty.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

6. Other financial assets

	2016	2015
Designated at fair value		
Listed shares	2 044 594	2 066 520
Unit trusts	8 915 917	8 448 553
Other investments	5 140 940	4 701 609
	16 101 451	**15 216 682**
	16 101 451	15 216 682
	-	-
	-	-
Non-current assets		
Fair value	12 642 807	12 197 369
Current assets		
Fair value	3 458 644	3 019 313
Non-current assets	12 642 807	12 197 369
Current assets	3 458 644	3 019 313
	16 101 451	**15 216 682**

7. Employee benefit obligations

Post employment medical aid plan

The municipality offers employee and continuation member opportunity of belonging to one of the several medical aid scheme, most of which offer a range of options partaining to levels of cover.

Upon retirement, an employee continues membership of the medical scheme. Upon a member's death-in-service or death-in-retirement, the surviving dependants may continue membership of the medical scheme.

Changes in the present value of the defined benefit obligation are as follows:

	2016	2015
Opening balance	139 158 811	127 288 631
Benefits paid	(2 597 832)	(2 430 360)
Net expense recognised in the statement of financial performance	17 762 616	14 300 540
	154 323 595	**139 158 811**

Figures in Rand	2016	2015

7. Employee benefit obligations (continued)

Net expense recognised in the statement of financial performance

Current service cost	7 593 604	6 792 763
Interest cost	11 401 427	10 435 129
Actuarial (gains) losses	(1 232 415)	(2 927 352)
	17 762 616	**14 300 540**

Key assumptions used

It is difficult to predict future investment returns and health care cost inflation rates. The relationship between them is more stable and therefore easier to predict. GRAP 25 requires that financial assumptions be based on market expectations at the Valuation Date for the period over which the liability obligations are to be settled.

Discount Rate: GRAP 25 stipulates that the choice of this rate should be derived from high quality corporate bond yields. However, where the market in these bonds is not significant, the market yields on government bonds consistent with the estimated term of the post-employment liabilities should be used.

Consequently, a discount rate of 9,84% per annum has been used. The corresponding medical inflation rate of 9.29%. These rates do not reflect any adjustment for taxation. These rates were deduced from the Johannesburg Stock Exchange (JSE) Zero Coupon bond yield after the market close on 30 June 2016.

The rate is calculated by using a weighted average of yields for the three components of the liability. Each component's fixed-interest and index-linked yield was taken from the JSE (Best Decency) Zero Coupon bond yield curve at that component's liability-weighted average duration, using an iterative process (because the yield depends on the liability, which in turn depends on the yield).

Health Care Cost Inflation Rate: This assumption is required to reflect estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs (for example, due to technological advances or changes in utilisation patterns). Any assumption regarding future medical scheme contribution increases is therefore subjective.

A health care cost inflation rate of 9.29% has been assumed. This is 1.50% in excess of expected CPI inflation over the expected term of the liability, namely 7.79%. A larger differential would be unsustainable, eventually forcing members to less expensive options. This implies a net discount rate of 0.50% which derives from ((1+9.84%)/(1+9.29%))-1.

The expected inflation assumption of 7.79% was obtained from the differential between market yields on index-linked bonds consistent with the estimated term of the liabilities and those of fixed interest bonds (9.84%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases.

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Notes to the Annual Financial Statements

Figures in Rand	2016	2015

7. Employee benefit obligations (continued)

Long services Award

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	17 915 520	16 699 309
Benefits paid	(1 164 948)	(1 951 910)
Net expense recognised in the statement of financial performance	3 850 176	3 168 121
	20 600 748	**17 915 520**

Net expense recognised in the statement of financial performance

Current service cost	1 732 883	1 474 010
Interest cost	1 314 863	1 164 032
Actuarial (gains) losses	802 430	530 079
	3 850 176	**3 168 121**

Key assumptions used

In estimating the unfunded liability for LSA of the Municipality a number of actuarial assumptions are required. The GRAP 25 Statement places the responsibility on management to set these assumptions, as guided by the principles set out in the Statement and in discussion with the actuary.

It should be noted that the valuation method and assumptions do not affect the ultimate cost of the LSA– this is determined by actual experience and by the benefits provided. The method and assumptions influence how the past service liability and future-service costs are recognised over time.

The key financial and demographic assumptions are summarised below:

Discount rates used	9,43 %	8,15 %
Expected rate of return on assets	7,55 %	7,16 %
Expected rate of return on reimbursement rights	0,98 %	0,93 %

It is difficult to predict future investment returns and health care cost inflation rates. The relationship between them is more stable and therefore easier to predict. GRAP 25 requires that financial assumptions be based on market expectations at the Valuation Date for the period over which the liability obligations are to be settled.

Discount Rate: GRAP 25 stipulates that the choice of this rate should be derived from high quality corporate bond yields. However, where the market in these bonds is not significant, the market yields on government bonds consistent with the estimated term of the post-employment liabilities should be used.

Consequently, a discount rate of 9.43% per annum has been used. This is derived by using a liability-weighted average of the yields corresponding to the average term until payment of long service awards, for each employee. These rate do not reflect any adjustment for taxation. These rates were deduced from the Johannesburg Stock Exchange (JSE) Zero Coupon bond yield after the market close on 30 June 2016.

Salary Inflation Rate: This assumption is required to reflect the estimated growth in salaries of the eligible employees until retirement. It is important in that the LSA are based on an employee's salary at the date of the award.

The assumption is traditionally split into two components, namely General Salary Inflation and Promotional Salary Escalation. The latter is considered under demographic assumptions.

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

7. Employee benefit obligations (continued)

General Salary Inflation: This assumption is more stable relative to the growth in Consumer Price Index (CPI) than in absolute terms. In most industries, experience has shown, that over the long-term, salary inflation is between 1.0% and 1.5% above CPI inflation.

The expected inflation assumption of 6.16% was obtained from the differential between market yields on index-linked bonds (1.41%) consistent with the estimated terms of the liabilities and those of nominal bonds (9.43%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). Therefore, expected inflation is determined as ((1+8.15%-0.50%)/(1+1.41%))-1.

Thus, a general salary inflation rate of 8.55% per annum over the expected term of the liability has been assumed, which is 1.00% higher than the estimate of CPI inflation over the same term. This assumption reflects a net discount rate of 0.98x%.

It has been assumed that the next salary increase will take place on 1 July 2017.

8. Inventories

	2016	2015
Consumable stores	14 386 550	9 779 761
Water	487 354	432 179
Unsold Properties Held for Resale	10 318	10 318
	14 884 222	**10 222 258**

9. Receivables from non-exchange transactions

	2016	2015
Fines	6 456 030	4 046 220
Rates	452 055 819	418 307 289
Allowance for impairment	(348 827 268)	(320 398 130)
	109 684 581	**101 955 379**

Rates	2016	2015
Current (0 -30 days)	27 959 759	25 492 006
31 - 60 days	19 461 315	16 719 513
61 - 90 days	13 462 009	14 737 431
> 90 days	397 628 767	365 404 560
Allowance for debt impairment	(348 827 269)	(320 398 131)
	109 684 581	**101 955 379**

Reconciliation of provision for impairment of receivables from non-exchange transactions

	2016	2015
Opening balance	(320 398 131)	(219 100 643)
Allowance for impairment	(28 429 138)	(101 297 488)
	(348 827 269)	**(320 398 131)**

10. VAT receivable

	2016	2015
VAT	-	29 887 181

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

11. Consumer

Gross balances		
Electricity	200 445 536	121 383 745
Water	234 214 051	176 229 311
Sewerage	74 920 966	66 554 072
Refuse	70 151 220	66 696 461
Other	376 580 992	336 231 025
	956 312 765	**767 094 614**
Less: Allowance for impairment		
Electricity	(149 929 558)	(92 973 430)
Water	(175 187 783)	(134 982 203)
Sewerage	(56 039 498)	(50 976 845)
Refuse	(52 609 872)	(51 085 907)
Other	(284 628 838)	(257 565 015)
	(718 395 549)	**(587 583 400)**
Net balance		
Electricity	50 515 978	28 410 315
Water	59 026 268	41 247 108
Sewerage	18 881 468	15 577 227
Refuse	17 541 348	15 610 554
Other	91 952 154	78 666 010
	237 917 216	**179 511 214**
Electricity		
Current (0 -30 days)	44 618 081	27 087 020
31 - 60 days	17 332 468	16 385 840
61 - 90 days	12 792 270	16 863 369
> 90 days	125 702 717	61 047 516
Provision for debt impairment	(149 929 558)	(92 973 430)
	50 515 978	**28 410 315**
Water		
Current (0 -30 days)	13 912 812	12 717 273
31 - 60 days	10 650 340	9 613 714
61 - 90 days	12 145 413	11 094 188
> 90 days	197 505 486	142 804 136
Provision for debt impairment	(175 187 783)	(134 982 203)
	59 026 268	**41 247 108**
Sewerage		
Current (0 -30 days)	3 793 205	3 532 521
31 - 60 days	2 530 510	2 350 076
61 - 90 days	3 092 047	2 265 366
> 90 days	65 505 204	58 406 109
Provision for debt impairment	(56 039 498)	(50 976 845)
	18 881 468	**15 577 227**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

11. Consumer (continued)

Refuse		
Current (0 -30 days)	2 347 543	2 520 500
31 - 60 days	1 801 909	1 664 194
61 - 90 days	1 451 350	1 589 461
> 90 days	64 550 418	60 922 306
Provision for debt impairment	(52 609 872)	(51 085 907)
	17 541 348	**15 610 554**

Other (specify)		
Current (0 -30 days)	6 421 332	8 098 183
31 - 60 days	5 627 114	8 478 706
61 - 90 days	5 503 363	6 805 114
> 90 days	359 029 182	312 849 022
Provision for debt impairment	(284 628 837)	(257 565 015)
	91 952 154	**78 666 010**

Reconciliation of allowance for impairment		
Balance at beginning of the year	(587 583 400)	(634 079 090)
Contributions to allowance	(130 812 149)	46 495 690
	(718 395 549)	**(587 583 400)**

12. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	35 834	16 764
Bank balances	15 613 802	40 414 359
Short-term deposits	49 977 359	18 526 416
Bank overdraft	(94 862 046)	-
	(29 235 051)	**58 957 539**

Current assets	65 626 995	58 957 539
Current liabilities	(94 862 046)	-
	(29 235 051)	**58 957 539**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

12. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2016	30 June 2015	30 June 2014	30 June 2016	30 June 2015	30 June 2014
ABSA Bank Cheque Account	3 576 250	23 080 611	41 857 702	(13 136 884)	34 540 788	(35 489 394)
ABSA Bank Cheque Account	-	-	-	151 174	174 029	-
ABSA Bank Cheque Account	-	2 484	3 206	3 012	3 012	3 206
ABSA Bank Cheque Account	-	3 101 145	3 970 025	6 162 283	5 458 332	3 970 025
ABSA Bank Cheque Account	-	432 767	214 975	171 654	171 654	214 975
FNB Main	24 338 817	-	-	(81 725 162)	-	-
FNB water	-	-	-	8 287 730	-	-
FNBlicensing	-	-	-	771 404	-	-
Standard Bank Call Account	4 540	4 452	4 375	4 540	4 452	4 375
Standard Bank Call Account	899 997	857 076	818 318	899 997	857 076	818 318
FNB Call Account	-	-	-	-	4 798 861	-
ABSA Bank Call Account	-	90 866	65 204	-	90 866	65 204
ABSA Bank Call Account	-	607 141	587 085	-	607 141	587 085
ABSA Bank Call Account	-	2 989 698	99 359	-	2 989 698	99 359
ABSA Bank Call Account	-	119 924	77 648	-	119 924	77 648
Investec Capital Markets	891 325	837 990	793 337	891 325	837 990	793 337
ABSA Bank Call Account	-	436 099	2 451 638	-	436 099	2 451 638
ABSA Bank Call Account	-	27 772	1 859	-	27 772	1 859
ABSA Bank Call Account	-	990 551	2 006 507	-	990 551	2 006 507
ABSA Bank Call Account	-	150 011	3 084 572	-	150 011	3 084 572
ABSA Bank Call Account	-	287 659	277 177	-	287 659	277 177
ABSA Bank Call Account	-	72 547	1 049 913	-	72 547	1 049 913
ABSA Bank Call Account	-	37 150	2 484 813	-	37 150	2 484 813
ABSA Bank Call Account	-	134 288	129 394	-	134 288	129 394
ABSA Bank Call Account	-	69 518	1 049 913	-	69 518	1 049 913
ABSA Bank Call Account	-	56 507	3 021	-	56 507	3 021
Standard Bank	66 685	66 685	66 685	66 685	66 685	66 685
ABSA Bank Call Account	-	7 310 187	3 085 068	-	7 310 187	3 085 068
ABSA Bank Call Account	-	56 190	697 242	-	56 190	697 242
ABSA Bank Call Account	-	3 390 780	8 598 790	-	3 390 780	8 598 790
FNB Call Account - MIG	3 337 872	-	-	3 337 872	-	-
FNB Call Account - FMG	139 082	-	-	139 082	-	-
FNB Call Account - DWAF	17 345 337	-	-	17 345 337	-	-
FNB Call Account - MSIG	2 503	-	-	2 503	-	-
FNB Call Account - INEP	1 407 476	-	-	1 407 476	-	-
FNB Call Account - EPWP	2 313 497	-	-	2 313 497	-	-
FNB Call Account - EQS	90 928	-	-	90 928	-	-
FNB Call Investment	3 006 763	-	-	3 006 763	-	-
FNB Call Account - MIG Retention	20 538 041	-	-	20 538 041	-	-
Total	**77 959 113**	**45 210 098**	**73 477 826**	**(29 270 743)**	**63 739 767**	**(3 869 270)**

13. Other financial liabilities

	2016	2015
At amortised cost		
Public Investment Corporation (PIC)	873 282 857	772 450 315
Non-current liabilities		
Public Investment Corporation (PIC)	873 282 857	772 450 315

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

14. Finance lease obligation

Minimum lease payments due		
- within one year	5 140 602	2 479 500
- in second to fifth year inclusive	7 045 098	5 727 645
	12 185 700	8 207 145
less: future finance charges	(2 642 822)	(1 803 581)
Present value of minimum lease payments	**9 542 878**	**6 403 564**

Present value of minimum lease payments due		
- within one year	3 826 024	1 925 824
- in second to fifth year inclusive	5 716 854	4 477 740
	9 542 878	**6 403 564**

Non-current liabilities	6 587 158	4 477 740
Current liabilities	2 955 720	1 925 824
	9 542 878	**6 403 564**

The average lease term is 3 years and the average effective borrowing rate was 10% (2015: 10%).

Interest rates are linked to prime at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Department of Water Affairs	-	2 891 792
Expanded Public Work Programme	-	209 956
Library Grant	361 054	282 291
	361 054	**3 384 039**

Movement during the year

Balance at the beginning of the year	5 193 673	5 754 283
Additions during the year	296 339 000	256 870 972
Income recognition during the year	(301 171 619)	(259 241 216)
	361 054	**3 384 039**

The municipality has complied with all the conditions set by the transferring organ of State or the conditions set by the other institutions who made allocations to the municipality. The unspent portion of conditional allocations are disclosed as unspent conditional grants on the face value of the Statement of Financial Position of the municipality.

See note 23 for reconciliation of grants.

These amounts are invested in a ring-fenced investment until utilised.

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

16. Provisions

Reconciliation of provisions - 2016

	Opening Balance	Interest charge	Change in provision for landfill closure	Total
Provision for the restoration of landfil site	17 154 826	1 298 484	(2 212 775)	16 240 535

Reconciliation of provisions - 2015

	Opening Balance	Interest charge	Change in provision for landfill closure	Total
Provision for the restoration of landfil site	15 129 957	278 203	1 746 666	17 154 826

Key financial assumptions used for the valuation of the closure costs for the Hartebeesfontein landfill site are as follow:

CPI	7.55%	6.27%
Discount rate	8,69%	8.52%
Nett effective discount rate	1.14%	2.25%

It is estimated that the landfill site has a remaining useful life of 6 years.

Environmental rehabilitation provision

The estimate is in respect of the landfill site currently in operation. The landfill site needs to be rehabilitated in 2022.

17. Payables from exchange transactions

Trade payables	261 427 007	288 979 438
Payments received in advanced	136 774 019	83 888 486
Retentions	44 678 017	36 690 063
Unallocated deposits	9 945 817	9 660 614
Other payables	4 675 836	4 751 898
	457 500 696	**423 970 499**

18. Payables from non-exchange transactions

Accrued bonus	6 405 069	6 356 272
Accrued leave pay	23 167 307	19 989 822
Salaries third party payments	10 863 367	474 561
	40 435 743	**26 820 655**

19. Consumer deposits

Consumer deposits	13 221 978	12 942 101

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

20. Revenue

Service charges	636 380 735	574 162 365
Rental of facilities and equipment	1 014 673	609 731
Interest received (trading)	60 938 970	64 767 525
Licences and permits	5 923 109	5 438 102
Commissions received	10 273 935	9 605 630
Other income	12 755 599	12 796 665
Interest received - investment	7 701 973	3 750 086
Property rates	292 796 357	312 009 861
Government grants & subsidies	739 259 985	627 239 698
Fines	2 723 218	1 561 445
	1 769 768 554	**1 611 941 108**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	636 380 735	574 162 365
Rental of facilities and equipment	1 014 673	609 731
Interest received (trading)	60 938 970	64 767 525
Licences and permits	5 923 109	5 438 102
Commissions received	10 273 935	9 605 630
Other income	12 755 599	12 796 665
Interest received - investment	7 701 973	3 750 086
	734 988 994	**671 130 104**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	292 796 357	312 009 861
Transfer revenue		
Government grants and subsidies	739 259 985	627 239 698
Fines	2 723 218	1 561 445
	1 034 779 560	**940 811 004**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

21. Property rates

Rates received

Residential	192 528 676	202 644 148
Commercial	72 961 688	93 034 165
State	17 602 509	7 762 148
Municipal	-	-
Small holdings and farms	9 703 484	8 569 400
	292 796 357	**312 009 861**

Valuations

Residential	23 214 232 353	17 341 431 813
Commercial	6 929 560 623	4 664 415 446
State	1 443 269 150	1 321 367 696
Municipal	3 004 375 298	1 429 501 150
Small holdings and farms	5 466 045 442	5 472 637 195
	40 057 482 866	**30 229 353 300**

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 01 July 2014. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A general rate of R0,011954 (2014: R0,011954) is applied to property valuations to determine assessment rates. Rebates of R20 000 plus 30% additional rabetes (2015: R20 000 plus 30%) are granted to residential and 83% plus 60% additional rates (2015: 83% plus 60%) state property owners.

22. Service charges

Sale of electricity	444 992 506	395 926 096
Sale of water	129 400 390	117 260 199
Sewerage and sanitation charges	30 545 317	30 703 103
Refuse removal	31 442 522	30 272 967
	636 380 735	**574 162 365**

23. Government grants and subsidies

Operating grants		
Equitable share	439 898 000	367 236 000
Finance management grant	1 600 000	1 600 000
Municipal system improvement grant	930 000	934 000
	442 428 000	369 770 000
Capital grants		
Expanded public works programme	2 229 956	2 164 522
Municipal infrastructure grant	234 461 000	233 615 000
Department of water affairs and forestry	17 891 792	7 108 208
Intergrated national electrification	21 000 000	8 000 000
Library grants	1 221 237	481 215
Disaster management grant	-	1 809 634
Energy efficiency and demand side management grant	-	3 000 000
Accelerated community infrastructure project	-	762 482
North south local government corporate	-	528 637
Municipal water infrastructure grant	20 028 000	-
	296 831 985	257 469 698
	739 259 985	**627 239 698**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

23. Government grants and subsidies (continued)

Equitable Share

In terms of the Division of Revenue Act, the annual equitable share allocated to the municipality is an unconditional grant. A portion of this grant is used to subsidise the provision of basic services to indigent community members in line with national policy.

Department of Water Affairs and Forestry

Balance unspent at beginning of year	2 891 792	-
Current-year receipts	15 000 000	10 000 000
Conditions met - transferred to revenue	(17 891 792)	(7 108 208)
	-	**2 891 792**

To subsidise and build capacity in water schemes owned and/or operated by the Department of Water Affairs (DWA) or by other agencies on behalf of the department and transfer these schemes to local government.

Conditions still to be met - remain liabilities (see note 15).

Finance Management Grant

Current-year receipts	1 600 000	1 600 000
Conditions met - transferred to revenue	(1 600 000)	(1 600 000)
	-	**-**

This grant is intended to promote and support reforms in financial mangement by building capacity in municipalities to implement the Municipal Finance Management Act (MFMA). The conditions of the grant were met. No funds have been withheld.

Municipal Systems Improvement Grant

Current-year receipts	930 000	934 000
Conditions met - transferred to revenue	(930 000)	(934 000)
	-	**-**

This grant is intended to assist municipalities in building in-house capacity to perform their functions and stabilise institutional and governance systems as required in the Local Government Systems Act and related legislation and policies. The conditions of the grant were met. No funds have been withheld.

Expanded Public Works Programme

Balance unspent at beginning of year	209 956	86 478
Current-year receipts	2 020 000	2 288 000
Conditions met - transferred to revenue	(2 229 956)	(2 164 522)
	-	**209 956**

This grant is intended to incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in different areas in compliance with the EPWP guidelines.

Conditions still to be met - remain liabilities (see note 15).

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

23. Government grants and subsidies (continued)

Library Grant

Balance unspent at beginning of year	282 291	363 506
Current-year receipts	1 300 000	400 000
Conditions met - transferred to revenue	(1 221 237)	(481 215)
	361 054	**282 291**

To transform urban and rural community library infrastructure, facilities and services (primarily targeting previously disadvantaged communities) through arecapitalised programme at provincial level in support of national and local government initiatives.

Conditions still to be met - remain liabilities (see note 15).

Municipal Infrastructure Grant

Current-year receipts	234 461 000	233 615 000
Conditions met - transferred to revenue	(234 461 000)	(233 615 000)
	-	**-**

The grant is intended to provide capital finance for basic municipal infrastructure for poor households, micro enterprises and social institutions, to provide for new, rehabilitation and upgrading of municipal infrastructure.

Conditions still to be met - remain liabilities (see note 15).

Integrated National Electrification Programme

Current-year receipts	21 000 000	8 000 000
Conditions met - transferred to revenue	(21 000 000)	(8 000 000)
	-	**-**

This grant is intended to address the electrification backlog of occupied residential dwellings, and the installation of bulk infrastructure and rehabilitation and refurbishment of electricity infrastructure in order to improve quality of supply. The conditions of the grant were met. No funds have been withheld.

Accelerated community infrastructure project

Current-year receipts	-	762 482
Conditions met - transferred to revenue	-	(762 482)
	-	**-**

Conditions still to be met - remain liabilities (see note 15).

North South Local Government Corporate

Balance unspent at beginning of year	-	494 665
Current-year receipts	-	33 972
Conditions met - transferred to revenue	-	(528 637)
	-	**-**

Conditions still to be met - remain liabilities (see note 15).

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

23. Government grants and subsidies (continued)

Municipal Water Infrastructure Grant

Current-year receipts	20 028 000	-
Conditions met - transferred to revenue	(20 028 000)	-
	-	-

Conditions still to be met - remain liabilities (see note 15).

Disaster Management Grant

Balance unspent at beginning of year	-	1 809 634
Conditions met - transferred to revenue	-	(1 809 634)
	-	-

This grant is intended to provide for immediate release of funds for disaster response.

Conditions still to be met - remain liabilities (see note 15).

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

24. Other income

Advertising hoarding	52 026	44 985
Cemetery fees	940 430	915 920
Insurance commision	2 547 776	2 687 004
Notice fees	1 516 512	1 792 176
Other income	167 826	206 958
Stock Surpluses	877 647	308 558
Street closure	3 850	-
Bulk services	66 880	71 007
Extinguishing fires	182 251	-
Clearance certifcates	123 560	133 320
Refuse dumping fees	188 012	467 709
Assets donations	615 161	-
Building plans	1 358 360	1 057 675
Reconnection fees	1 917 570	2 915 586
Refuse removal departmental sales	439 942	403 467
Service connections	338 448	298 643
Servitude income	248 964	81 934
Tender document fees	863 795	1 099 009
Town planning	279 035	290 904
Valuation fees	27 554	21 810
	12 755 599	**12 796 665**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

25. General expenses

Advertising	865 666	933 341
Auditors remuneration	5 808 395	2 794 768
Bank charges	1 767 726	2 611 836
Consulting and professional fees	36 720 402	23 020 939
Consumables	1 789 440	444 535
Debt collection	378 897	509 512
Course fees	61 816	17 199
Discount allowed	22 684 919	23 151 828
Refreshments	369 807	303 295
Corporate identity	187 416	-
Grant expenses	2 689 231	2 674 845
Telemetry	-	28 292
Insurance	5 893 554	5 117 758
Community development and training	119 950	169 200
MPCC costs	419 798	201 950
Sport development	169 185	45 859
Geographical information system	393 102	12 658
IDP process	53 662	34 365
Lease rentals on operating lease	21 108 617	14 202 639
Marketing	85 500	9 300
Medical expenses	130 658	204 167
Motor vehicle expenses	359 508	387 127
Water and electricity	13 835 431	11 814 564
Printing and stationery	2 251 239	1 563 445
Audit committee costs	245 470	271 921
Protective clothing	1 541 660	755 658
Subscriptions and membership fees	153 833	289 013
Telephone and fax	5 115 774	3 937 643
Transport - Fuel	4 448 426	5 687 937
Training	1 318 685	1 422 769
Travel and accomodation	2 322 428	3 004 877
Refuse	814 748	638 026
SALGA	3 125 380	3 674 605
Formalisation of townships	1 970 049	6 016 483
Licence fees	3 613 735	2 189 770
Stock written off	102 252	100 024
Training levy	3 141 824	2 912 217
Other expenses	94 842	210 450
Attending of meetings and congresses	314 795	234 109
Printing of statements	2 487 506	3 046 373
Proverty alleviation programmes	11 131 862	7 395 496
Social programmes	3 668 471	5 196 625
Ward committees expenses	2 252 851	3 052 000
Mayoral out-reach programme	1 013 175	930 398
Chemicals	11 560 826	11 237 353
Community participation	1 479 309	1 150 807
Compensation insurance	-	1 517 490
Mobile chemical toilets	3 628 891	1 249 930
	183 690 711	**156 375 396**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

26. Employee related costs

Acting allowances	6 782 680	4 110 806
Basic	186 759 197	173 195 272
13th cheques	14 783 619	14 047 746
Housing benefits and allowances	1 674 768	1 194 917
Industrial council	82 998	78 207
Leave pay provision charge	11 339 644	7 571 739
Medical aid - company contributions	25 327 176	23 940 822
Overtime payments	38 204 822	31 843 341
Provident and pension fund	49 976 933	47 220 524
Stand by allowances	2 403 295	1 979 732
Transitional allowances	10 476	11 290
Telephone/celephone allowance	283 428	280 355
Travel allowances	19 579 992	17 686 541
UIF	1 634 807	1 604 432
	358 843 835	**324 765 724**

Remuneration of municipal manager

Annual remuneration	2 294 992	1 022 553
Allowances	409 904	207 684
Contributions	140 356	209 629
	2 845 252	**1 439 866**

Remuneration of chief financial officer

Annual remuneration	101 738	1 058 801
Allowances	203 359	321 795
Contributions	129 200	24 189
	434 297	**1 404 785**

Remuneration of chief operating officer

Annual remuneration	1 095 714	1 024 213
Allowances	74 904	118 057
Contributions	185 563	173 253
	1 356 181	**1 315 523**

Remuneration of chief audit executive

Annual Remuneration	273 849	945 540
Car Allowance	48 000	175 248
Contributions to UIF, Medical and Pension Funds	56 108	1 866
	377 957	**1 122 654**

Remuneration of director community services

Annual remuneration	1 399 457	757 192
Allowances	275 544	227 472
Contributions	262 300	185 449
	1 937 301	**1 170 113**

Remuneration of director corporate support services

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

26. Employee related costs (continued)

Annual remuneration	831 093	718 787
Allowances	203 556	190 269
Contributions	196 507	182 167
	1 231 156	**1 091 223**

Remuneration of director public safety

Annual remuneration	887 620	754 975
Allowances	203 556	190 242
Contributions	131 753	151 312
	1 222 929	**1 096 529**

Remuneration of director infrastructure and technical services

Annual remuneration	1 740 256	1 023 084
Allowances	465 865	292 702
Contributions	361 293	231 801
	2 567 414	**1 547 587**

Remuneration of director local economic development

Annual remuneration	897 694	813 887
Allowances	137 351	146 165
Contributions	163 262	151 416
	1 198 307	**1 111 468**

Remuneration of director human settlement

Annual remuneration	803 795	734 646
Allowances	214 680	200 628
Contributions	200 500	188 225
	1 218 975	**1 123 499**

27. Remuneration of councillors

Executive mayor	812 607	751 460
Speaker	668 433	619 708
Single whip	609 721	580 390
Mayoral committee members	6 688 508	6 141 643
Councillors	14 966 582	14 312 418
	23 745 851	**22 405 619**

The remuneration of the councillors, directors and officials salaries, allowances and benefits are within the upper limits of the framework envisaged in section 219 of the constitution.

Remuneration of advisor - office of executive mayor

Annual remuneration	1 042 857	945 540
Car allowance	187 512	175 248
Contributions to UIF, medical and pension funds	1 872	1 866
	1 232 241	**1 122 654**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

28. Debt impairment

Debt impairment	159 241 289	54 801 795
Bad debts written off	69 512 132	30 524 182
	228 753 421	**85 325 977**

29. Investment revenue

Interest revenue		
Investments	5 876 080	3 115 723
Bank	1 825 893	634 363
	7 701 973	**3 750 086**
	-	-
	7 701 973	3 750 086

30. Fair value adjustments

Investment property (Fair value model)	(11 082 500)	(185 277 266)
Other financial assets		
• Other financial assets (Fair value)	698 339	614 057
	(10 384 161)	**(184 663 209)**

31. Depreciation and impairment

Property, plant and equipment	559 127 829	585 902 366

32. Impairment of assets

Impairments		
Property, plant and equipment	19 330 166	132 121 327

33. Finance costs

Non-current borrowings	100 832 541	89 104 948
Trade and other payables	-	141 390
Finance leases	832 493	-
Bank overdraft	8	-
Landfill site	1 298 464	278 203
Defined benefit plan	12 716 290	11 599 161
	115 679 796	**101 123 702**

34. Auditors' remuneration

Fees	5 808 395	2 294 768
Forensic Audit	-	500 000
	5 808 395	**2 794 768**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

35. Contracted services

Waste removal	23 913 083	30 214 847
Meter readings	2 029 882	1 287 728
Water tankers	13 130 192	12 556 454
Security services	42 015 611	25 853 788
Other contractors	1 753 901	5 967 912
	82 842 669	**75 880 729**

36. Bulk purchases

Electricity	428 921 416	351 956 619
Water	86 771 998	130 079 707
	515 693 414	**482 036 326**

37. Cash generated from operations

Surplus / (deficit)	(565 432 911)	(699 267 941)
Adjustments for:		
Depreciation and impairment	559 127 829	585 902 366
Loss on provision for landfill closure	(2 212 775)	1 746 666
Finance cost - Landfill closure	1 298 464	278 203
Fair value adjustments	10 384 161	184 663 209
Finance costs - Finance leases	832 493	-
Discount allowed	22 684 919	23 151 828
Impairment deficit	19 330 166	132 121 327
Debt impairment	228 753 421	85 325 977
Movement in post employee benefit obligation	17 850 012	13 086 391
Interest received (trading)	(60 938 970)	(64 767 525)
Inventory surpluses	(877 647)	(308 558)
Finance cost - non cash PIC loan	100 832 541	89 104 948
Assets written off	55 125 171	11 399 504
Inventory written off	102 252	100 024
Changes in working capital:		
Inventories	(3 886 569)	(4 614 715)
Consumer receivable	(248 905 352)	(148 114 605)
Receivable from exchange transactions	(7 729 202)	(50 240 597)
Other	(4 172 166)	-
VAT payable	32 148 132	(33 396 424)
Payables from exchange transactions	33 530 198	177 546 531
VAT receivable	-	-
Payables from non-exchange transactions	13 615 088	(11 484 007)
Unspent conditional grants and receipts	(3 022 985)	(2 370 244)
Consumer deposits	279 877	19 623
	198 716 147	**289 881 981**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
38. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	157 560 629	77 372 369
Not yet contracted for and authorised by accounting officer		
• Property, plant and equipment	8 307 512	14 328 339

This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, existing cash resources, funds internally generated, etc.

39. Contingencies

The municipality received summons in which Bridget Ranaana alleges that her minor child suffered serious injuries as result of the municipality’s negligence to take care of the electrical wires on the road of Phase 3 at Oukasie. The plaintiff claim an amount of R 100 000 against the municipality. The matter has been postponed to allow the plaintiff to submit the medical report.

On the 25th May 2012 summons were served to the municipality wherein Izma Beleggings (Pty) Ltd is seeking an order directing the municipality to pay an amount of R 5 000 000 to the transferring attorneys in terms of the agreement of sale of property entered into and signed by the parties. The municipality instructed Gildenhuys Lessing & Malatji attorneys to defend the matter.

The municipality received summons for payment of R4 009 585 which GR Makopo CC alleged to be for compensation for breach of contract by the municipality.

On the 20th July 2005, the municipality entered into a contract with MK Construction for providing civil engineering services in Oukasie Ext 5 and Environs. It is alleged that the municipality cancelled the contract on the 30th May 2008 due to lack of performance without terms of warning. As a result of the municipality's failure to comply with its undertaking, MK Construction issued summons against the Municipality for a payment amount of R1 714 328 which is alleged to be damages suffered by the plaintiff.

The municipality received summons for payment of R1 102 902 which Sechaba Traffic Solutions CC alleged to be for commission on traffic fines collected.

Summons were served to the Municipality wherein Mr. De Bruyn is claiming an amount of R250 000 which is alleged to be for losses suffered as a result of the Municipality's breach of its statutory and/or legal duty to erect a stop sign and/or to maintain the road signs and to ensure the visibility of warning signs amongst.

On the 13th April 2012, Oppcrete Property Development Company (Pty) Ltd issued summons claiming an amount of R5 411 581 which is alleged to be losses suffered as a result of the setting aside of section 82 certificate by the Municipality

On the 06th January 2014, the Municipality was served with summons wherein Sobek engineering (Pty) Ltd is claiming a total amount of R7 878 689 plus interest calculated at the rate of 15.5% per annum which is alleged to be for service rendered and cancellation of contract respectively.

Telkom sues the municipality R36 085 as an amount for damaging copper cables during excavation by municipal workers.

Telkom sues the municipality R178 181 as an amount for damaging cooper cables allegedly caused by the Municipality.

Summons were issued by S Sechabela against the municipality for injury sustained when Plaintiff fell in the sewage drain in the sum of R250 000.

Around March 2010, PIC issued summons against the Municipality for the payment of the following amounts;

1. R129 738 079 together with interests on capital component of R76 490 339;
2. R56 234 978 together with interests on capital component of 34 062 561; and
3. R132 704 547 together with interests on capital component of R80 447 101.

As at 30 June 2016, the aforesaid amount has risen to the total of R873 282 857

The municipality received summons for payment of R5 552 244 which White Leopard Security alleged to be for security services rendered.

Summons were issued by PJJ Rademan against the municipality amounting to R4 000 000 for injury sustained after being electrocuted.

Summonsamounting to R195 921 were issued by Barlow and other against the municipality for refund for arrears rates and taxes paid under protest.

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

39. Contingencies (continued)

Summons amounting to R15 929 were issued by Nurumahomed Adoobakar against the municipality for dameges that occurred as a result of negligence when electricity supply was restored.

Summons amounting to R30 136 were issued by Alwyn Theron against the municipality for dameges to the Plaintiff's vehicle when it collided with a pothole.

Summons amounting to R37 166 were issued by Pieter Jooste against the municipality for dameges to the Plaintiff's vehicle when it collided with a pothole.

Summons amounting to R11 160 were issued by John Cryer against the municipality for dameges to the Plaintiff's vehicle when it collided with a pothole.

The municipality received summons for payment of R86 755 which Rookopies Oos Water Users Association alleged to be for levies owed to the Plaintiff in respect of maintenance and running costs.

The municipality received summons for payment of R985 425 which Chiefton Facility Management (Pty) Ltd alleged to be for invoices of work done.

Summons amounting to R23 661 were issued by Bezuidenhout against the municipality for dameges to the Plaintiff's vehicle when it collided with a pothole.

Summons amounting to R3 400 000 were issued by Shane Noel Adams against the municipality for personal injuries and dameges to the Plaintiff's vehicle when it collided with a pothole.

40. Related parties

Relationships

Remuneration of key management personnel	Refer to note 25 & 26 on compensation to Municipal Manager, Chief Financial Officer, Senior Managers, Mayoral Committee and Other Councillors

41. Prior period errors

The correction of the error(s) results in adjustments as follows:

	2016	2015
Statement of Financial Performance		
Revenue	-	-
Government grants and subsidies (correction of amount spent incorrect recognised as unspent)	-	1 809 634
Government grants and subsidies (correction of grant received incorrectly captured against debtors suspense account)	-	762 482
Fines (correction of transfers from traffic fines bank account to the main account incorrectly recognised as revenue)	-	(537 335)
Expenses	-	-
Personnel cost (correction of leave and bonus payouts incorrectly accrued in the prior year)	-	8 458
Contracted services (reversal of expenses incorrectly captured twice)	-	(4 871 218)
Bulk purchases (reversal of expenses incorrectly captured twice)	-	25 152 578
Bulk purchases (reversal accrual payments incorrectly captured as expenses)	-	2 631 579
Bulk purchases (recognition of expenses paid on the bank but not captured in the system)	-	(18 586 444)
Depreciation and amortization (reversal of depreciation on electricity assets on the register that do not exists)	-	15 712 654
Depreciation and amortization (recognition of deprecition on assets that were previously ommitted on the assets register)	-	(1 188 178)
	-	-

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

41. Prior period errors (continued)

Statement of Financial Position		
Payables from exchange transaction (Correction of payment to creditor incorrectly recorded as expense)	-	7 500 000
Payables from exchange transaction (Recognition of accruals not recognised in the prior years)	-	(17 440 517)
Payables from exchange transaction (Correction of payments received not related to traffic fines)	-	(13 195)
Payables from exchange transaction (correction of leave and bonus payouts incorrectly accrued in the prior year)	-	(8 458)
Cash and cash equivalent (reversal of payment to suppliers not correctly captured in the system)	-	63 480 089
Cash and cash equivalent (reversal of payment to suppliers incorrectly captured in the system)	-	762 482
Receivales from non-exchange transactions (correction of traffic fines incorrectly raised)	-	(58 845)
VAT receivable (Correction on VAT on payment to suppliers not correctly captured in the system)	-	(7 795 723)
VAT receivable (Correction on VAT on accruals not recognised in the prior years)	-	1 773 397
VAT receivable (Correction on VAT on payment to creditor incorrectly recorded as expense)	-	(552 632)
b	-	(14 304 420)
Accumulated surplus (correction of assets incorrectly captured on the assets register)	-	(543 649 802)
Property, palnt and equipment (reversal of assets incorrectly captured on the assets register)	-	571 872 847
Property, plant and equipment (recognition of assets ommitted on the assets register)	-	28 223 045
Property, plant and equipment (reversal of depreciation on electricity assets on the register that do not exists)	-	15 712 654
Property, plant and equipment (recognition of deprecition on assets that were previously ommitted on the assets register)	-	(1 188 178)
Unspent conditional grants (correction of amount spent incorrect recognised as unspent)	-	1 809 634

42. Risk management

Liquidity risk

The municipality’s risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Interest rate risk

The municipality’s interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk.

The municipality analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the municipality calculates the impact on surplus and deficit of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies.

42. Risk management (continued)

Credit risk

Credit Risk related to consumer debtors is managed in accordance with the Councils credit control and debt collection policy. The Council's credit exposure is spread over a large number and wide variety of consumers, and is not concentrated in any particular sector or geographical area. Adequate provision has been made for anticipated bad and doubtful debts.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2016	2015
Other financial assets	3 458 644	3 019 313
Consumer Debtors	237 917 216	179 511 214
Receivable from non-exchange transaction	109 684 581	101 955 379
Cash and cash equivalents	139 611 552	58 957 539

43. Going concern

We draw attention to the fact that at 30 June 2016, the municipality had deficits of R 565 432 911 and that the municipality's total current liabilities exceed its current assets by R 175 854 364.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

44. Events after the reporting date

Management is not aware of any events that occurred after year end that may have an impact on the financial statements.

45. Unauthorised expenditure

Opening balance	1 702 359 929	444 856 365
Unauthorised expenditure - overspending	837 435 183	1 257 503 564
	2 539 795 112	**1 702 359 929**

Unauthorised expenditure where not condoned by council during the financial year.

46. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure - opening balance	8 033 260	1 649 521
Fruitless and wasteful expenditure - Interest on overdue accounts	5 904 106	6 383 739
Salary of municipal manager - M Juta	1 426 871	-
	15 364 237	**8 033 260**

47. Irregular expenditure

Opening balance	596 048 810	375 473 449
Add: Irregular Expenditure - current year	166 414 144	220 575 361
	762 462 954	**596 048 810**

Analysis of expenditure awaiting condonation per age classification

Current year	596 048 810	220 575 361
Prior years	166 414 144	375 473 449
	762 462 954	**596 048 810**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

47. Irregular expenditure (continued)

Details of irregular expenditure – current year

	Disciplinary steps taken/criminal proceedings	
The irregular expenditure relates to goods and services that were purchased outside the normal procurement processes.	No steps were taken	166 414 144

48. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

	2016	2015
Current year subscription / fee	3 125 380	3 674 605

Audit fees

	2016	2015
Opening balance	-	425 940
Current year fee	6 605 860	3 066 689
Amount paid - current year	(6 082 063)	(3 492 629)
	523 797	**-**

PAYE and UIF

	2016	2015
Opening balance	-	3 412 873
Current year fee	53 588 030	49 504 971
Amount paid - current year	(49 067 543)	(52 917 844)
	4 520 487	**-**

Pension and Medical Aid Deductions

	2016	2015
Opening balance	-	6 852 456
Current year fee	95 004 544	96 669 747
Amount paid - current year	(90 489 628)	(103 522 203)
	4 514 916	**-**

VAT

	2016	2015
VAT receivable	-	29 887 181
VAT payable	2 260 951	-
	2 260 951	**29 887 181**

48. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2016:

30 June 2016	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Klass S	4 363	24 739	29 102
Lekoane S	3	44 396	44 399
Maakane P	-	2 584	2 584
Makhongela PB	27	55 526	55 553
Maunatlala SM	-	3 757	3 757
Modise ETM	-	3 706	3 706
Mogotsi RK	1 945	31 396	33 341
Molefe WS	3 652	30 945	34 597
Motepe FJ	6	3 037	3 043
Rossouw DF	1 768	7 582	9 350
Nkosi I	4 044	34 816	38 860
Strauss WI	1 264	70 729	71 993
Tlhopane M	2 307	10 467	12 774
Tsotetsi TPJ	-	-	-
Nthangeni SDN	-	3 706	3 706
Nkhoma LL	10 030	25 770	35 800
	29 409	**353 156**	**382 565**

30 June 2015	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Klass S	2 179	12 345	14 524
Lekoane S	1 828	4 231	6 059
Maakane P	76	3 682	3 758
Makhongela PB	1 065	53 267	54 332
Maunatlala SM	52	2 532	2 584
Mogotsi RK	2 482	25 315	27 797
Nqetho MC	2 078	7 488	9 566
Molefe WS	4 094	37 841	41 935
Motepe FJ	2 559	41 694	44 253
Rossouw DF	1 954	4 541	6 495
Nkosi I	2 098	17 947	20 045
Strauss WI	2 567	73 026	75 593
Tlhopane M	2 663	8 576	11 239
Tsotetsi TPJ	74	3 632	3 706
Nthangeni SDN	76	3 682	3 758
Ntshabele KS	74	3 632	3 706
	25 919	**303 431**	**329 350**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

48. Additional disclosure in terms of Municipal Finance Management Act (continued)

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the City Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

Incident		
Current year	9 882 332	4 566 822
Noted by council	(9 882 332)	(4 566 822)
	-	-

49. Assets subject to restrictions

No assets that have been recognised which are subject to restrictions.

50. Distribution losses

Electricity

Year	Unit purchased	Units sold	Loss in units	Loss in percentage
2016/06/30	438 463 310,00	261 118 874,00	177 344 436,00	40,45 %
2015/06/30	481 974 368,00	328 173 359,00	153 801 009,00	31,00 %

Electricity distribution loss calculated value amounts to R310 187 118 (2014: R190 400 605)

Water

Year	Unit purchased	Units sold	Loss in units	Loss in percentage
2016/06/30	24 806 977,00	13 873 875,00	10 933 102,00	44,07 %
2015/06/30	30 133 255,00	9 168 322,00	20 964 903,00	69,57 %

Water distribution loss calculated value amounts to R130 386 620 (2015: R269 311 919)

Appendix A

Schedule of external loans as at 30 June 2016

	Loan Number	Redeemable	Balance at 30 June 2016 Rand	Received during the period Rand	Redeemed written off during the period Rand	Interest Rand	Balance at 30 June 2016 Rand
Development Bank of South Africa			-	-	-	-	-
Public Investment Corporation							
BR25	BR25	30/06/2030	320 319 485	-	-	34 068 531	354 388 015
BR26	BR26	30/06/2030	308 716 925	-	-	32 834 506	341 551 431
BR20	BR20	30/06/2020	143 413 906	-	-	16 252 653	159 666 559
			772 450 316	**-**	**-**	**83 155 690**	**855 606 005**
Lease liability							
Flame IT Strategy	Computer equipment	30/06/2018	6 404 564	5 935 441	(3 629 620)	832 493	9 542 878
			-	-	-	-	-
			-	-	-	-	-
			-	-	-	-	-
			-	-	-	-	-
			6 404 564	**5 935 441**	**(3 629 620)**	**832 493**	**9 542 878**
Total external loans							
Development Bank of South Africa			-	-	-	-	-
Public Investment Corporation			772 450 316	-	-	83 155 690	855 606 005
Lease liability			6 404 564	5 935 441	(3 629 620)	832 493	9 542 878
			778 854 880	**5 935 441**	**(3 629 620)**	**83 988 183**	**865 148 883**

Appendix B

Analysis of property, plant and equipment as at 30 June 2016

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	**Additions Rand**	**Disposals/write off Rand**	**Transfers Rand**	**Fair value adjustment Rand**	**Other changes, movements Rand**	**Closing Balance Rand**	**Opening Balance Rand**	**Disposals/write off Rand**	**Other movements Rand**	**Depreciation Rand**	**Impairment loss Rand**	**Closing Balance Rand**	**Carrying value Rand**
Land and buildings														
Land	814 057 726	-	-	-	-	**-**	**814 057 726**	-	-	-	-	-	**-**	814 057 726
Buildings	98 442 324	-	-	-	-	**-**	**98 442 324**	(15 401 389)	-	-	(3 231 245)	-	**(18 632 634)**	79 809 690
	912 500 050	**-**	**-**	**-**	**-**	**-**	**912 500 050**	**(15 401 389)**	**-**	**-**	**(3 231 245)**	**-**	**(18 632 634)**	**893 867 416**
Infrastructure														
Roads, Pavements, Storm water & Bridges	4 745 260 933	-	-	9 239 606	-	**-**	**4 754 500 539**	(2 705 321 326)	-	-	(484 977 242)	-	**(3 190 298 568)**	1 564 201 971
Electrical Networks	1 842 051 799	-	(69 447 000)	-	-	**-**	**1 772 604 799**	(255 020 674)	14 321 829	-	(47 721 932)	(19 330 166)	**(307 750 943)**	1 464 853 856
Sanitation	35 940 231	-	-	51 378 258	-	**-**	**87 318 489**	(2 466 438)	-	-	(1 277 228)	-	**(3 743 666)**	83 574 823
Water Supply Networks	503 144 661	-	-	44 424 004	-	**-**	**547 568 665**	(56 332 689)	-	-	(12 574 667)	-	**(68 907 356)**	478 661 309
Building	4 311 455	-	-	-	-	**-**	**4 311 455**	(431 382)	-	-	(86 465)	-	**(517 847)**	3 793 608
Facilities	9 417 486	-	-	-	-	**-**	**9 417 486**	(2 567 490)	-	-	(514 623)	-	**(3 082 113)**	6 335 373
Work in progress	528 830 020	274 795 272	-	(133 604 801)	-	**-**	**670 020 491**	-	-	-	-	-	**-**	670 020 491
	7 668 956 585	**274 795 272**	**(69 447 000)**	**(28 562 933)**	**-**	**-**	**7 845 741 924**	**(3 022 139 999)**	**14 321 829**	**-**	**(547 152 157)**	**(19 330 166)**	**(3 574 300 493)**	**4 271 441 431**
Community Assets														
Community Facilities	99 435 641	-	-	28 562 933	-	**-**	**127 998 574**	(9 665 757)	-	-	(3 130 624)	-	**(12 796 381)**	115 202 193
	99 435 641	**-**	**-**	**28 562 933**	**-**	**-**	**127 998 574**	**(9 665 757)**	**-**	**-**	**(3 130 624)**	**-**	**(12 796 381)**	**115 202 193**

Appendix B

Analysis of property, plant and equipment as at 30 June 2016

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals/write off Rand	Transfers Rand	Fair value adjustment Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals/write off Rand	Other movements Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets														
Other	10 100	-	-	-	-	-	**10 100**	-	-	-	-	-	-	10 100
	10 100	**-**	**-**	**-**	**-**	**-**	**10 100**	**-**	**-**	**-**	**-**	**-**	**-**	**10 100**
Other assets														
General vehicles	17 563 067	430 629	-	-	-	-	**17 993 696**	(5 038 002)	-	-	(1 483 709)	-	**(6 521 711)**	11 471 985
Plant & equipment	6 235 051	970 631	-	-	-	-	**7 205 682**	(2 141 501)	-	-	(568 408)	-	**(2 709 909)**	4 495 773
Computer Equipment	11 919 182	12 037 706	-	-	-	-	**23 956 888**	(4 928 828)	-	-	(1 979 455)	-	**(6 908 283)**	17 048 605
Furniture & Fittings	15 721 758	509 967	-	-	-	-	**16 231 725**	(6 746 820)	-	-	(1 024 252)	-	**(7 771 072)**	8 460 653
Office Equipment	2 501 378	7 073	-	-	-	-	**2 508 451**	(832 844)	-	-	(196 941)	-	**(1 029 785)**	1 478 666
Special vehicles	3 180 568	-	-	-	-	-	**3 180 568**	(2 791 718)	-	-	(82 914)	-	**(2 874 632)**	305 936
Bins and Containers	3 358 097	-	-	-	-	-	**3 358 097**	(2 444 331)	-	-	(225 123)	-	**(2 669 454)**	688 643
Other	209 306	277 850	-	-	-	-	**487 156**	(148 517)	-	-	(53 047)	-	**(201 564)**	285 592
	60 688 407	**14 233 856**	**-**	**-**	**-**	**-**	**74 922 263**	**(25 072 561)**	**-**	**-**	**(5 613 849)**	**-**	**(30 686 410)**	**44 235 853**
Total property plant and equipment														
Land and buildings	912 500 050	-	-	-	-	-	**912 500 050**	(15 401 389)	-	-	(3 231 245)	-	**(18 632 634)**	893 867 416
Infrastructure	7 668 956 585	274 795 272	(69 447 000)	(28 562 933)	-	-	**7 845 741 924**	(3 022 139 999)	14 321 829	-	(547 152 157)	(19 330 166)	**(3 574 300 493)**	4 271 441 431
Community Assets	99 435 641	-	-	28 562 933	-	-	**127 998 574**	(9 665 757)	-	-	(3 130 624)	-	**(12 796 381)**	115 202 193
Heritage assets	10 100	-	-	-	-	-	**10 100**	-	-	-	-	-	**-**	10 100
Other assets	60 688 407	14 233 856	-	-	-	-	**74 922 263**	(25 072 561)	-	-	(5 613 849)	-	**(30 686 410)**	44 235 853
	8 741 590 783	**289 029 128**	**(69 447 000)**	**-**	**-**	**-**	**8 961 172 911**	**(3 072 279 706)**	**14 321 829**	**-**	**(559 127 875)**	**(19 330 166)**	**(3 636 415 918)**	**5 324 756 993**
Leased Assets														
Intangible assets														
Investment properties														
Investment property	271 874 000	-	-	-	(11 082 500)	-	**260 791 500**	-	-	-	-	-	-	260 791 500
	271 874 000	**-**	**-**	**-**	**(11 082 500)**	**-**	**260 791 500**	**-**	**-**	**-**	**-**	**-**	**-**	**260 791 500**
Total														
Land and buildings	912 500 050	-	-	-	-	-	**912 500 050**	(15 401 389)	-	-	(3 231 245)	-	**(18 632 634)**	893 867 416
Infrastructure	7 668 956 585	274 795 272	(69 447 000)	(28 562 933)	-	-	**7 845 741 924**	(3 022 139 999)	14 321 829	-	(547 152 157)	(19 330 166)	**(3 574 300 493)**	4 271 441 431
Community Assets	99 435 641	-	-	28 562 933	-	-	**127 998 574**	(9 665 757)	-	-	(3 130 624)	-	**(12 796 381)**	115 202 193
Heritage assets	10 100	-	-	-	-	-	**10 100**	-	-	-	-	-	**-**	10 100
Other assets	60 688 407	14 233 856	-	-	-	-	**74 922 263**	(25 072 561)	-	-	(5 613 849)	-	**(30 686 410)**	44 235 853
Investment properties	271 874 000	-	-	-	(11 082 500)	-	**260 791 500**	-	-	-	-	-	**-**	260 791 500
	9 013 464 783	**289 029 128**	**(69 447 000)**	**-**	**(11 082 500)**	**-**	**9 221 964 411**	**(3 072 279 706)**	**14 321 829**	**-**	**(559 127 875)**	**(19 330 166)**	**(3 636 415 918)**	**5 585 548 493**

Appendix E(1)

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2015

	Forecast # 1 2016 Act. Bal. Rand	Forecast # 1 2016 Adjusted budget Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
Revenue					
Government grants and subsidies	739 259 985	784 582 000	(45 322 015)	(5,8)	•The MIG allocation was reduced as results of poor spending
Property rates	292 796 357	337 183 000	(44 386 643)	(13,2)	Poor revenue collection from townships resulted in under collection of revenue.
Service charges	636 380 735	619 016 000	17 364 735	2,8	The municipality has continued improving the billing system in the 2014/2015 financial year. The average billing was above the budgeted billing even though the collection rate was below the expected norm of 75%. Factors that has contributed to poor collection rate includes amongst others: • Electricity theft • Accuracy of meter readings, which requires data cleansing. • Faulty meters not reported • Faulty meters not been replaced on time • Boycott on the payment of municipal services due to service delivery challenges including lack of consistent supply of water.
Rental of facilities and equipment	1 014 673	628 000	386 673	61,6	The municipality reviewed lease agreements for facilities. Credit control and debt collection procedures were implemented to ensure that all revenue due to the municipality is collected.
Interest received (trading)	60 938 970	56 483 000	4 455 970	7,9	Debt collection activities were not adequately implemented in the townships due to community protests.
Licences and permits	5 923 109	7 335 000	(1 411 891)	(19,2)	
Commissions received	10 273 935	2 215 000	8 058 935	363,8	Collected more than 100% because they were under-budgeted;
Fines	2 723 218	626 000	2 097 218	335,0	The budget amount was based on the actual amount received or actual payments made and the amount disclosed in the statement of financial performance is disclosed in line with GRAP Standards which requires the municipality to recognize revenue on traffic fine issued and not in terms of the payments.
Other income	12 755 599	16 352 000	(3 596 401)	(22,0)	Credit control measures were not implemented accordingly on, amongst other, Reconnection fees for electricity
Interest received - investment	7 701 973	4 095 000	3 606 973	88,1	
	1 769 768 554	1 828 515 000	(58 746 446)	(3,2)	
Expenses					
Personnel	(358 843 835)	(340 738 995)	(18 104 840)	5,3	Overtime expenditure exceeded the appropriated amount for the year.
Remuneration of councillors	(23 745 851)	(26 345 005)	2 599 154	(9,9)	
Depreciation	(559 127 829)	(8 243 000)	(550 884 829)	6 683,1	Condition assessment of infrastructure assets indicates serious detoriation of roads, water and sanitation infrastructure.
Impairments	(19 330 166)	-	(19 330 166)	-	
Finance costs	(115 679 796)	(1 000 000)	(114 679 796)	11 468,0	The municipality is not paying PIC loan. Investigations are ongoing on the matters surrounding the acquisition of PIC loan before the democratic government dispensation.
Debt impairment	(228 753 421)	(208 167 000)	(20 586 421)	9,9	Over estimation of provision for bad debts.
Repairs and maintenance	(115 800 616)	(99 833 080)	(15 967 536)	16,0	The municipality experienced service delivery protests during the year that led to damage to infrastructure. The repairs and maintenance costs incurred led to the over expenditure.

Appendix E(1)

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2015

	Forecast # 1 2016 Act. Bal.	Forecast # 1 2016 Adjusted budget	Variance		Explanation of Significant Variances greater than 10% versus Budget
Bulk purchases	(515 693 414)	(511 126 000)	(4 567 414)	0,9	Increase in Eskom, Rand Water and City of Tshwane tariffs led to high expenditure. The other factor is high consumption of electricity during winter. The municipality also experienced distribution losses due to water leaks. There were also new township establishments and various new developments going on in the jurisdiction that led to high consumption.
Contracted Services	(129 059 580)	(62 590 600)	(66 468 980)	106,2	There was need to increase security services to various infrastructures such as power substations and plants. The unruly communities destroyed some of the infrastructure. The other factor was increase in waste removal and water tankering activities
Grants and subsidies paid	(22 609 654)	(33 459 000)	10 849 346	(32,4)	
General Expenses	(183 690 711)	(137 479 320)	(46 211 391)	33,6	.The items under general expenses which have exceeded the 100% due to water disruption, extension of scope on professional services and items that were not properly budgeted for.
	(2 272 334 873)	(1 428 982 000)	(843 352 873)	59,0	
Other revenue and costs					
Loss on assets written off	(55 125 171)	-	(55 125 171)	-	
Acturial gain/(loss) on post employement benefits	429 965	-	429 965	-	
Fair value adjustments	(10 384 161)	-	(10 384 161)	-	
Gain/(loss) on provision for landfill closure	2 212 775	-	2 212 775	-	
	(62 866 592)	-	(62 866 592)	-	
Net surplus/ (deficit) for the year	(565 432 911)	399 533 000	(964 965 911)	(241,5)	

Appendix E(2)

Budget Analysis of Capital Expenditure as at 30 June 2015

	Additions Rand	Revised Budget Rand	Variance Rand	Variance %	Explanation of signifi variances from budg
Municipality					
Property, plant and equipment	274 795 272	319 139 000	44 343 728	**14**	
	274 795 272	**319 139 000**	**44 343 728**	**14**	
Municipal Owned Entities					
Other charges					

Appendix F
Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003

Name of Grants	Quarterly Receipts				Quarterly Expenditure				Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance
									Yes/ No	
Municipal Infrastructure Grant	93 570 000	-	140 891 000	-	11 686 043	44 649 360	72 480 832	105 644 765	Yes	n/a
Expanded Public Work Programmes	808 000	606 000	606 000	-	735 134	628 175	573 130	293 517	Yes	n/a
Municipal Systems Improvement Grant	930 000	-	-	-	600 000	-	330 000	-	Yes	n/a
Finance Management Grant	1 600 000	-	-	-	127 930	133 770	484 431	853 869	Yes	n/a
Library grant	1 300 000	-	-	-	3 610	34 240	-	1 183 388	Yes	n/a
Integrated National Electrification Programme	5 500 000	8 500 000	7 000 000	-	-	2 646 772	4 728 628	13 624 600	Yes	n/a
Department of Water Affairs and forestry (WSOG)	3 750 000	7 500 000	3 750 000	-	3 750 000	1 529 011	661 624	11 951 158	Yes	n/a
Department of Water Affairs and forestry (MWIG)	-	15 021 000	5 007 000	-	-	-	20 028 000	-	Yes	n/a
	107 458 000	31 627 000	157 254 000	-	16 902 717	49 621 328	99 286 645	105 938 282		

Appendix G1
Budgeted Financial Performance (revenue and expenditure by standard classification)
for the year ended 30 June 2016

	2016/2015														2015/2014
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue - Standard															
Governance and administration	**428 137 000**	**-**	**428 137 000**	**371 096 000**		**799 233 000**	**-**		**(799 233 000)**	**- %**	**- %**				**571 419 000**
Budget and treasury office	428 095 000	-	428 095 000	371 115 000		799 210 000	-		(799 210 000)	- %	- %				571 393 000
Corporate services	42 000	-	42 000	(19 000)		23 000	-		(23 000)	- %	- %				26 000
Community and public safety	**14 288 000**	**-**	**14 288 000**	**9 983 000**		**24 271 000**	**-**		**(24 271 000)**	**- %**	**- %**				**21 952 000**
Community and social services	1 182 000	-	1 182 000	(220 000)		962 000	-		(962 000)	- %	- %				520 000
Sport and recreation	89 000	-	89 000	79 000		168 000	-		(168 000)	- %	- %				36 000
Public safety	10 632 000	-	10 632 000	9 808 000		20 440 000	-		(20 440 000)	- %	- %				18 985 000
Housing	2 385 000	-	2 385 000	316 000		2 701 000	-		(2 701 000)	- %	- %				2 411 000
Trading services	**1 067 875 000**	**11 120 000**	**1 078 995 000**	**(333 173 000)**		**745 822 000**	**-**		**(745 822 000)**	**- %**	**- %**				**610 710 000**
Electricity	525 263 000	10 000 000	535 263 000	(23 964 000)		511 299 000	-		(511 299 000)	- %	- %				420 289 000
Water	278 694 000	600 000	279 294 000	(107 401 000)		171 893 000	-		(171 893 000)	- %	- %				128 027 000
Waste water management	140 146 000	20 000	140 166 000	(109 607 000)		30 559 000	-		(30 559 000)	- %	- %				30 721 000
Waste management	123 772 000	500 000	124 272 000	(92 201 000)		32 071 000	-		(32 071 000)	- %	- %				31 673 000
Other	**2 024 000**	**-**	**2 024 000**	**232 482 000**		**234 506 000**	**-**		**(234 506 000)**	**- %**	**- %**				**-**
Other	2 024 000	-	2 024 000	232 482 000		234 506 000	-		(234 506 000)	- %	- %				233 698 000
Total Revenue - Standard	**1 512 324 000**	**11 120 000**	**1 523 444 000**	**280 388 000**		**1 803 832 000**	**-**		**(1 803 832 000)**	**- %**	**- %**				**1 437 825 000**

Appendix G1
Budgeted Financial Performance (revenue and expenditure by standard classification)
for the year ended 30 June 2016

	2016/2015												2015/2014		
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Expenditure - Standard															
Governance and administration	**495 037 000**	**5 471 000**	**500 508 000**	**785 089 000**	**-**	**1 285 597 000**	**-**	**-**	**(1 285 597 000)**	**- %**	**- %**	**-**	**-**	**-**	**1 169 048 000**
Executive and council	72 799 000	3 144 000	75 943 000	(4 287 000)	-	71 656 000	-	-	(71 656 000)	- %	- %	-	-	-	67 028 000
Budget and treasury office	364 527 000	5 123 000	369 650 000	753 459 000	-	1 123 109 000	-	-	(1 123 109 000)	- %	- %	-	-	-	1 033 899 000
Corporate services	57 711 000	(2 796 000)	54 915 000	35 917 000	-	90 832 000	-	-	(90 832 000)	- %	- %	-	-	-	68 121 000
Community and public safety	**174 348 000**	**(20 000)**	**174 328 000**	**35 940 000**	**-**	**210 268 000**	**-**	**-**	**(210 268 000)**	**- %**	**- %**	**-**	**-**	**-**	**173 660 000**
Community and social services	36 060 000	(2 425 000)	33 635 000	393 000	-	34 028 000	-	-	(34 028 000)	- %	- %	-	-	-	28 498 000
Sport and recreation	11 122 000	323 000	11 445 000	(1 191 000)	-	10 254 000	-	-	(10 254 000)	- %	- %	-	-	-	9 546 000
Public safety	93 338 000	6 584 000	99 922 000	37 838 000	-	137 760 000	-	-	(137 760 000)	- %	- %	-	-	-	100 577 000
Housing	25 089 000	(690 000)	24 399 000	(2 058 000)	-	22 341 000	-	-	(22 341 000)	- %	- %	-	-	-	26 474 000
Health	8 739 000	(3 812 000)	4 927 000	958 000	-	5 885 000	-	-	(5 885 000)	- %	- %	-	-	-	8 565 000
Economic and environmental services	**47 968 000**	**(4 603 000)**	**43 365 000**	**(18 021 000)**	**-**	**25 344 000**	**-**	**-**	**(25 344 000)**	**- %**	**- %**	**-**	**-**	**-**	**23 144 000**
Road transport	46 260 000	(4 231 000)	42 029 000	(17 825 000)	-	24 204 000	-	-	(24 204 000)	- %	- %	-	-	-	1 749 000
Environmental protection	1 708 000	(372 000)	1 336 000	(196 000)	-	1 140 000	-	-	(1 140 000)	- %	- %	-	-	-	-
Trading services	**777 337 000**	**13 535 000**	**790 872 000**	**20 757 000**	**-**	**811 629 000**	**-**	**-**	**(811 629 000)**	**- %**	**- %**	**-**	**-**	**-**	**753 244 000**
Electricity	457 779 000	9 016 000	466 795 000	20 640 000	-	487 435 000	-	-	(487 435 000)	- %	- %	-	-	-	435 000 000
Water	226 032 000	3 626 000	229 658 000	(7 262 000)	-	222 396 000	-	-	(222 396 000)	- %	- %	-	-	-	221 496 000
Waste water management	23 772 000	3 449 000	27 221 000	805 000	-	28 026 000	-	-	(28 026 000)	- %	- %	-	-	-	19 547 000
Waste management	69 754 000	(2 556 000)	67 198 000	6 574 000	-	73 772 000	-	-	(73 772 000)	- %	- %	-	-	-	77 201 000
Other	**69 754 000**	**(3 263 000)**	**66 491 000**	**(1 590 000)**	**-**	**64 901 000**	**-**	**-**	**(64 901 000)**	**- %**	**- %**	**-**	**-**	**-**	**-**
Other	69 754 000	(3 263 000)	66 491 000	(1 590 000)	-	64 901 000	-	-	(64 901 000)	- %	- %	-	-	-	8 642 000
Total Expenditure - Standard	**1 564 444 000**	**11 120 000**	**1 575 564 000**	**822 175 000**	**-**	**2 397 739 000**	**-**	**-**	**(2 397 739 000)**	**- %**	**- %**	**-**	**-**	**-**	**2 127 738 000**
Surplus/(Deficit) for the year	**(52 120 000)**	**-**	**(52 120 000)**	**(541 787 000)**		**(593 907 000)**	**-**		**593 907 000**	**- %**	**- %**				**(689 913 000)**

Appendix G2
Budgeted Financial Performance (revenue and expenditure by municipal vote)
for the year ended 30 June 2016

	2016/2015											2015/2014			
	Original Budget Rand	Budget Adjustments (i.t.o. s28 and s31 of the MFMA) Rand	Final adjustments budget Rand	Shifting of funds (i.t.o. s31 of the MFMA) Rand	Virement (i.t.o. Council approved policy) Rand	Final Budget Rand	Actual Outcome Rand	Unauthorised expenditure Rand	Variance of Actual Outcome against Adjustments Budget Rand	Actual Outcome as % of Final Budget Rand	Actual Outcome as % of Original Budget Rand	Reported unauthorised expenditure Rand	Expenditure authorised in terms of section 32 of MFMA Rand	Balance to be recovered Rand	Restated Audited Outcome Rand
Revenue by Vote															
Vote3- Cheif Operating Officer	-	-	-	(42 000)		(42 000)	-		42 000	- %	DIV/0 %				-
Vote4-Corporate And Support Servicers	42 000	-	42 000	24 000		66 000	-		(66 000)	- %	- %				26 000
5	428 095 000	-	428 095 000	371 115 000		799 210 000	-		(799 210 000)	- %	- %				571 393 000
Vote6-Infrastructure And Technical Services	944 103 000	(500 000)	943 603 000	(229 792 000)		713 811 000	-		(713 811 000)	- %	- %				579 083 000
Vote7- Community Services	124 954 000	500 000	125 454 000	(92 421 000)		33 033 000	-		(33 033 000)	- %	- %				32 193 000
Vote8-Human Settlement	2 385 000	-	2 385 000	316 000		2 701 000	-		(2 701 000)	- %	- %				2 411 000
Vote9-Economic Dev,tourism & Agric	2 024 000	-	2 024 000	232 482 000		234 506 000	-		(234 506 000)	- %	- %				233 698 000
Vote10- Public Safety	10 722 000	-	10 722 000	9 886 000		20 608 000	-		(20 608 000)	- %	- %				19 021 000
Total Revenue by Vote	**1 512 325 000**	**-**	**1 512 325 000**	**291 568 000**		**1 803 893 000**	**-**		**(1 803 893 000)**	**- %**	**- %**				**1 437 825 000**
Expenditure by Vote to be appropriated															
Vote1- Executive Council	34 736 000	-	34 736 000	(2 559 000)	-	32 177 000	-	-	(32 177 000)	- %	- %	-	-	-	31 342 000
Vote2- Municipal Manager	33 564 000	2 475 000	36 039 000	(28 901 000)	-	7 138 000	-	-	(7 138 000)	- %	- %	-	-	-	6 072 000
Vote3- Cheif Operating Officer	4 499 000	635 000	5 134 000	27 206 000	-	32 340 000	-	-	(32 340 000)	- %	- %	-	-	-	29 614 000
Vote4-Corporate And Support Servicers	57 711 000	(2 796 000)	54 915 000	35 917 000	-	90 832 000	-	-	(90 832 000)	- %	- %	-	-	-	68 121 000
Vote5-Budget And Treasury Office	364 527 000	5 157 000	369 684 000	753 425 000	-	1 123 109 000	-	-	(1 123 109 000)	- %	- %	-	-	-	1 033 899 000
Vote6-Infrastructure And Technical Services	753 844 000	740 000	754 584 000	7 478 000	-	762 062 000	-	-	(762 062 000)	- %	- %	-	-	-	697 370 000
Vote7- Community Services	101 424 000	(3 691 000)	97 733 000	5 530 000	-	103 263 000	-	-	(103 263 000)	- %	- %	-	-	-	106 339 000
Vote8-Human Settlement	25 089 000	(690 000)	24 399 000	(2 058 000)	-	22 341 000	-	-	(22 341 000)	- %	- %	-	-	-	26 474 000
Vote9-Economic Dev,tourism & Agric	17 480 000	(3 263 000)	14 217 000	(1 590 000)	-	12 627 000	-	-	(12 627 000)	- %	- %	-	-	-	8 642 000
Vote10- Public Safety	119 296 000	1 433 000	120 729 000	38 846 000	-	159 575 000	-	-	(159 575 000)	- %	- %	-	-	-	119 865 000
Total Expenditure by Vote	**1 512 170 000**	**-**	**1 512 170 000**	**833 294 000**	**-**	**2 345 464 000**	**-**	**-**	**(2 345 464 000)**	**- %**	**- %**	**-**	**-**	**-**	**2 127 738 000**
Surplus/(Deficit) for the year	**155 000**	**-**	**155 000**	**(541 726 000)**		**(541 571 000)**	**-**		**541 571 000**	**- %**	**- %**				**(689 913 000)**

Appendix G3
Budgeted Financial Performance (revenue and expenditure)
for the year ended 30 June 2016

	2016/2015											2015/2014			
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue By Source															
Property rates	337 183 000	-	337 183 000	(44 387 000)		292 796 000	292 796 357		357	100 %	87 %				312 009 860
Service charges - electricity revenue	431 808 000	-	431 808 000	56 496 000		488 304 000	444 992 506		(43 311 494)	91 %	103 %				395 926 096
Service charges - water revenue	133 644 000	-	133 644 000	(3 269 000)		130 375 000	159 945 707		29 570 707	123 %	120 %				147 963 302
Service charges - sanitation revenue	26 213 000	-	26 213 000	4 339 000		30 552 000	-		(30 552 000)	- %	- %				-
Service charges - refuse revenue	27 351 000	-	27 351 000	(364 000)		26 987 000	31 442 522		4 455 522	117 %	115 %				30 272 967
Service charges - other	-	-	-	67 000		67 000	-		(67 000)	- %	DIV/0 %				-
Rental of facilities and equipment	628 000	-	628 000	387 000		1 015 000	1 014 673		(327)	100 %	162 %				609 731
Interest earned - external investments	4 095 000	-	4 095 000	4 305 000		8 400 000	68 640 943		60 240 943	817 %	1 676 %				68 517 611
Interest earned - outstanding debtors	56 483 000	-	56 483 000	4 456 000		60 939 000	-		(60 939 000)	- %	- %				-
Fines	626 000	-	626 000	2 102 000		2 728 000	2 723 218		(4 782)	100 %	435 %				1 561 445
Licences and permits	7 335 000	-	7 335 000	(1 412 000)		5 923 000	5 923 109		109	100 %	81 %				5 438 102
Agency services	2 215 000	-	2 215 000	8 059 000		10 274 000	-		(10 274 000)	- %	- %				-
Transfers recognised - operational	468 393 000	-	468 393 000	230 939 000		699 332 000	-		(699 332 000)	- %	- %				-
Other revenue	16 352 000	-	16 352 000	(11 179 000)		5 173 000	12 645 374		7 472 374	244 %	77 %				(162 260 914)
Gains on disposal of PPE	-	-	-	-		-	(52 482 431)		(52 482 431)	DIV/0 %	DIV/0 %				(10 748 897)
Total Revenue (excluding capital transfers and contributions)	**1 512 326 000**	**-**	**1 512 326 000**	**250 539 000**		**1 762 865 000**	**967 641 978**		**(795 223 022)**	**55 %**	**64 %**				**789 289 303**

Appendix G3
Budgeted Financial Performance (revenue and expenditure)
for the year ended 30 June 2016

	2016/2015														2015/2014
	Original Budget Rand	Budget Adjustments (i.t.o. s28 and s31 of the MFMA) Rand	Final adjustments budget Rand	Shifting of funds (i.t.o. s31 of the MFMA) Rand	Virement (i.t.o. Council approved policy) Rand	Final Budget Rand	Actual Outcome Rand	Unauthorised expenditure Rand	Variance of Actual Outcome against Adjustments Budget Rand	Actual Outcome as % of Final Budget Rand	Actual Outcome as % of Original Budget Rand	Reported unauthorised expenditure Rand	Expenditure authorised in terms of section 32 of MFMA Rand	Balance to be recovered Rand	Restated Audited Outcome Rand
Expenditure By Type															
Employee related costs	340 739 000	-	340 739 000	14 048 000	-	354 787 000	358 843 834	-	4 056 834	101 %	105 %	-	-	-	324 765 724
Remuneration of councillors	26 345 000	-	26 345 000	(2 599 000)	-	23 746 000	23 745 851	-	(149)	100 %	90 %	-	-	-	22 405 618
Debt impairment	208 167 000	-	208 167 000		-	208 167 000	228 753 420	-	20 586 420	110 %	110 %	-	-	-	85 325 978
Depreciation & asset impairment	82 430 000	-	82 430 000		-	82 430 000	578 457 995	-	496 027 995	702 %	702 %	-	-	-	718 023 692
Finance charges	10 000 000	-	10 000 000	90 833 000	-	100 833 000	115 679 796	-	14 846 796	115 %	1 157 %	-	-	-	101 123 702
Bulk purchases	511 126 000	-	511 126 000	7 037 000	-	518 163 000	515 693 415	-	(2 469 585)	100 %	101 %	-	-	-	482 036 326
Other materials	107 645 000	(7 812 000)	99 833 000	1 879 000	-	101 712 000	-	-	(101 712 000)	- %	- %	-	-	-	-
Contracted services	73 763 000	(11 172 000)	62 591 000	86 039 000	-	148 630 000	129 059 580	-	(19 570 420)	87 %	175 %	-	-	-	112 791 491
Transfers and grants	33 459 000	-	33 459 000	(11 134 000)	-	22 325 000	22 609 654	-	284 654	101 %	68 %	-	-	-	13 322 718
Other expenditure	118 495 000	18 984 000	137 479 000	130 579 000	-	268 058 000	8 106 341 455	-	7 838 283 455	3 024 %	6 841 %	-	-	-	7 908 040 434
Total Expenditure	**1 512 169 000**	**-**	**1 512 169 000**	**316 682 000**	**-**	**1 828 851 000**	**0 079 185 000**	**-**	**8 250 334 000**	**551 %**	**667 %**	**-**	**-**	**-**	**9 767 835 683**
Surplus/(Deficit)	**157 000**	**-**	**157 000**	**(66 143 000)**		**(65 986 000)**	**9 111 543 022)**		**9 045 557 022)**	**13 808 %**	**(5 803 531)%**				**8 978 546 380)**
Surplus/(Deficit) after capital transfers & contributions	**157 000**	**-**	**157 000**	**(66 143 000)**		**(65 986 000)**	**9 111 543 022)**		**9 045 557 022)**	**13 808 %**	**(5 803 531)%**				**8 978 546 380)**
Surplus/(Deficit) after taxation	**157 000**	**-**	**157 000**	**(66 143 000)**		**(65 986 000)**	**9 111 543 022)**		**9 045 557 022)**	**13 808 %**	**(5 803 531)%**				**8 978 546 380)**
Surplus/(Deficit) attributable to municipality	**157 000**	**-**	**157 000**	**(66 143 000)**		**(65 986 000)**	**9 111 543 022)**		**9 045 557 022)**	**13 808 %**	**(5 803 531)%**				**8 978 546 380)**
Surplus/(Deficit) for the year	**157 000**	**-**	**157 000**	**(66 143 000)**		**(65 986 000)**	**9 111 543 022)**		**9 045 557 022)**	**13 808 %**	**(5 803 531)%**				**8 978 546 380)**

Appendix G4
Budgeted Capital Expenditure by vote, standard classification and funding
for the year ended 30 June 2016

	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
						2016/2015								2015/2014	
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Capital expenditure - Vote															
Multi-year expenditure															
Single-year expenditure															
Vote4-Corporate and Support Services	2 000 000	43 000	2 043 000	-	-	2 043 000	-	-	(2 043 000)	- %	- %	-	-	-	1 790 000
Vote5-Budget And Treasury Office	4 500 000	(72 000)	4 428 000	-	-	4 428 000	-	-	(4 428 000)	- %	- %	-	-	-	3 108 000
Vote6-Infrastructure and Technical Services	266 211 000	25 368 000	291 579 000	-	-	291 579 000	-	-	(291 579 000)	- %	- %	-	-	-	171 495 000
Vote7-Community Services	9 450 000	(9 450 000)	-	-	-	-	-	-	-	DIV/0 %	- %	-	-	-	19 900 000
Vote8-Human Settlement	-	1 228 000	1 228 000	-	-	1 228 000	-	-	(1 228 000)	- %	DIV/0 %	-	-	-	71 000
Vote9-Econimic Dev,tourism & Agric	-	724 000	724 000	-	-	724 000	-	-	(724 000)	- %	DIV/0 %	-	-	-	-
Example 10 - Vote10	-	8 838 000	8 838 000	-	-	8 838 000	-	-	(8 838 000)	- %	DIV/0 %	-	-	-	37 187 000
Capital single-year expenditure sub-total	**282 161 000**	**26 679 000**	**308 840 000**	**-**	**-**	**308 840 000**	**-**	**-**	**(308 840 000)**	**- %**	**- %**	**-**	**-**	**-**	**-**
Total Capital Expenditure - Vote	**282 161 000**	**26 679 000**	**308 840 000**	**-**	**-**	**308 840 000**	**-**	**-**	**(308 840 000)**	**- %**	**- %**	**-**	**-**	**-**	**-**

Appendix G4
Budgeted Capital Expenditure by vote, standard classification and funding
for the year ended 30 June 2016

	2016/2015														2015/2014
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Capital Expenditure - Standard															
Governance and administration	**6 500 000**	**(29 000)**	**6 471 000**	**-**	**-**	**6 471 000**	**-**	**-**	**(6 471 000)**	**- %**	**- %**	**-**	**-**	**-**	**4 928 000**
Budget and treasury office	4 500 000	(72 000)	4 428 000	-	-	4 428 000	-	-	(4 428 000)	- %	- %	-	-	-	3 108 000
Corporate services	2 000 000	43 000	2 043 000	-	-	2 043 000	-	-	(2 043 000)	- %	- %	-	-	-	1 790 000
Community and public safety	**17 250 000**	**3 116 000**	**20 366 000**	**-**	**-**	**20 366 000**	**-**	**-**	**(20 366 000)**	**- %**	**- %**	**-**	**-**	**-**	**47 158 000**
Community and social services	2 000 000	5 078 000	7 078 000	-	-	7 078 000	-	-	(7 078 000)	- %	- %	-	-	-	9 900 000
Sport and recreation	11 750 000	(3 950 000)	7 800 000	-	-	7 800 000	-	-	(7 800 000)	- %	- %	-	-	-	20 839 000
Public safety	3 500 000	760 000	4 260 000	-	-	4 260 000	-	-	(4 260 000)	- %	- %	-	-	-	16 348 000
Housing	-	1 228 000	1 228 000	-	-	1 228 000	-	-	(1 228 000)	- %	DIV/0 %	-	-	-	71 000
Economic and environmental services	**142 300 000**	**(560 000)**	**141 740 000**	**-**	**-**	**141 740 000**	**-**	**-**	**(141 740 000)**	**- %**	**- %**	**-**	**-**	**-**	**87 235 000**
Road transport	142 300 000	(560 000)	141 740 000	-	-	141 740 000	-	-	(141 740 000)	- %	- %	-	-	-	87 235 000
Trading services	**126 411 000**	**23 428 000**	**149 839 000**	**-**	**-**	**149 839 000**	**-**	**-**	**(149 839 000)**	**- %**	**- %**	**-**	**-**	**-**	**94 261 000**
Electricity	24 000 000	(2 000 000)	22 000 000	-	-	22 000 000	-	-	(22 000 000)	- %	- %	-	-	-	12 000 000
Water	79 911 000	23 328 000	103 239 000	-	-	103 239 000	-	-	(103 239 000)	- %	- %	-	-	-	33 577 000
Waste water management	20 000 000	4 600 000	24 600 000	-	-	24 600 000	-	-	(24 600 000)	- %	- %	-	-	-	38 684 000
Waste management	2 500 000	(2 500 000)	-	-	-	-	-	-	-	DIV/0 %	- %	-	-	-	10 000 000
Other	**-**	**(724 000)**	**(724 000)**	**-**	**-**	**(724 000)**	**-**	**-**	**724 000**	**- %**	**DIV/0 %**	**-**	**-**	**-**	**-**
Other	-	(724 000)	(724 000)	-	-	(724 000)	-	-	724 000	- %	DIV/0 %	-	-	-	-
Total Capital Expenditure - Standard	**292 461 000**	**25 231 000**	**317 692 000**	**-**	**-**	**317 692 000**	**-**	**-**	**(317 692 000)**	**- %**	**- %**	**-**	**-**	**-**	**233 582 000**
Funded by:															
National Government	284 461 000	22 828 000	307 289 000	-		307 289 000	-		(307 289 000)	- %	- %				224 181 000
Provincial Government	-	900 000	900 000	-		900 000	-		(900 000)	- %	DIV/0 %				-
Transfers recognised - capital	**284 461 000**	**23 728 000**	**308 189 000**	**-**		**308 189 000**	**-**		**(308 189 000)**	**- %**	**- %**				**224 181 000**
Internally generated funds	8 000 000	2 950 000	10 950 000	-		10 950 000	-		(10 950 000)	- %	- %				9 400 000
Total Capital Funding	**292 461 000**	**26 678 000**	**319 139 000**	**-**		**319 139 000**	**-**		**(319 139 000)**	**- %**	**- %**				**233 581 000**

Appendix G5
Budgeted Cash Flows
for the year ended 30 June 2016

	2016/2015								2015
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Final Budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Cash flow from operating activities									
Ratepayers and other	1 219 209 000	38 185 000	1 257 394 000	1 257 394 000	1 054 107 858	(203 286 142)	84 %	86 %	1 016 007 319
Government - operating	468 393 000	-	468 393 000	468 393 000	-	(468 393 000)	- %	- %	-
Government - capital	284 461 000	23 728 000	308 189 000	308 189 000	-	(308 189 000)	- %	- %	-
Interest	60 578 000	-	60 578 000	60 578 000	68 640 943	8 062 943	113 %	113 %	68 517 611
Suppliers and employees	1 190 939 000)	-	1 190 939 000)	1 190 939 000)	0 893 902 809	2 084 841 809	(915)%	(915)%	0 829 128 764
Finance charges	(10 000 000)	-	(10 000 000)	(10 000 000)	115 679 796	125 679 796	(1 157)%	(1 157)%	101 123 702
Transfers and Grants	(33 549 000)	-	(33 549 000)	(33 549 000)	22 609 654	56 158 654	(67)%	(67)%	13 322 718
Net cash flow from/used operating activities	**798 153 000**	**61 913 000**	**860 066 000**	**860 066 000**	**2 154 941 060**	**1 294 875 060**	**1 413 %**	**1 523 %**	**2 028 100 114**
Cash flow from investing activities									
Proceeds on disposal of PPE	-	-	-	-	(52 482 431)	(52 482 431)	DIV/0 %	DIV/0 %	(10 748 897)
Decrease (increase) in non-current investments	60 261 000	-	60 261 000	60 261 000	884 769	(59 376 231)	1 %	1 %	449 094
Capital assets	(292 461 000)	(26 678 000)	(319 139 000)	(319 139 000)	-	319 139 000	- %	- %	-
Net cash flow from/used investing activities	**(232 200 000)**	**(26 678 000)**	**(258 878 000)**	**(258 878 000)**	**(51 597 662)**	**207 280 338**	**20 %**	**22 %**	**(10 299 803)**
Cash flow from financing activities									
Borrowing long term/refinancing	-	-	-	-	103 971 855	103 971 855	DIV/0 %	DIV/0 %	95 450 459
Increase (decrease) in consumer deposits	35 000 000	-	35 000 000	35 000 000	279 876	(34 720 124)	1 %	1 %	19 623
Repayment of borrowing	(24 550 000)	24 550 000	-	-	-	-	DIV/0 %	- %	-
Net cash flow from/used financing activities	**10 450 000**	**24 550 000**	**35 000 000**	**35 000 000**	**104 251 731**	**69 251 731**	**298 %**	**998 %**	**95 470 082**
Net increase/(decrease) in cash held	**576 403 000**	**59 785 000**	**636 188 000**	**636 188 000**	**2 207 595 129**	**1 571 407 129**	**1 919 %**	**2 118 %**	**2 113 270 393**
Cash/cash equivalents at the year begin:					58 957 819				67 127 284
Cash/cash equivalents at the year end:	**576 403 000**	**59 785 000**	**636 188 000**	**636 188 000**	**2 266 552 948**	**1 571 407 129**	**1 928 %**	**2 128 %**	